NEW ISSUE **RATINGS:** (See "RATINGS" herein)
(Book-Entry-Only)

OFFICIAL STATEMENT DATED JUNE 26, 2018

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by The Board of Education of the Township of Pennsauken, County of Camden, New Jersey ("School District") with certain tax covenants described herein, under existing law, interest on the Bonds (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code. In the case of certain corporations that own the Bonds with tax years beginning prior to January 1, 2018, the interest thereon is not excludable in computing the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. In addition, interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the Bonds and any gain from the sale thereof is not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed. See "TAX MATTERS" herein.

$35,669,000
THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN
IN THE COUNTY OF CAMDEN, NEW JERSEY
SCHOOL BONDS, SERIES 2018
(Callable)

Dated: Date of Delivery **Due:** July 15, as shown below

The $35,669,000 aggregate principal amount of School Bonds, Series 2018 ("Bonds"), of The Board of Education of the Township of Pennsauken, in the County of Camden, New Jersey ("Board" when referring to the governing body, and "School District" when referring to the legal entity governed by the Board), shall be issued in fully registered book-entry-only form without coupons. Principal of and interest on the Bonds will be paid to DTC (as hereinafter defined) on the respective maturity date thereof upon presentation and surrender of the Bonds to the School District or its hereinafter designated paying agent, if any. Interest on the Bonds is payable semi-annually on January 15 and July 15, commencing on July 15, 2019, in each year until maturity or earlier redemption. The Bonds are subject to optional redemption prior to their respective maturity dates as set forth herein.

Upon initial issuance, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such Bond.

The School District is issuing the Bonds pursuant to: (i) Title 18A, Chapter 24, of the New Jersey Statutes, as amended and supplemented; *N.J.S.A.* 18A:24-1 *et seq.*; and (ii) a resolution, duly and finally adopted by the Board on May 14, 2018. The Bonds are authorized by a proposal adopted by the Board on February 8, 2018, and approved by the legal voters of the School District at a special election held on March 13, 2018 ("Proposal").

The Bonds are being issued to provide funds which will be used to: (i) permanently finance the costs of the capital improvements set forth in the Proposal; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The full faith and credit of the School District are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the School District payable as to principal and interest from *ad valorem* taxes to be levied upon all taxable property in the School District without limitation as to rate or amount. The Bonds are also entitled to the benefits of and are secured under the provisions of the New Jersey School Bond Reserve Act, P.L. 1980 c.72, as amended.

MATURITY SCHEDULE, INTEREST RATE AND YIELDS

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2020	$1,274,000	1.500%	1.53%	2030	$1,925,000	3.000%	3.15%
2021	1,350,000	3.000	1.96	2031	2,000,000	3.000	3.21
2022	1,405,000	3.000	2.14	2032	2,075,000	3.125	3.27
2023	1,465,000	3.000	2.27	2033	2,150,000	3.250	3.33
2024	1,515,000	3.000	2.41	2034	2,240,000	3.375	3.40
2025	1,570,000	3.000	2.55	2035	2,325,000	3.500	3.45
2026	1,625,000	3.000	2.72	2036	2,415,000	3.500	3.52
2027	1,700,000	3.000	2.90	2037	2,500,000	4.000	3.47
2028	1,770,000	3.000	3.00	2038	2,525,000	4.000	3.49
2029	1,840,000	3.000	3.08				

This cover contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices attached hereto, to obtain information essential to their making of an informed investment decision.

The Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the School District in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the School District by its Solicitor, Frank P. Cavallo, Esquire., of the law firm of Parker McCay P.A., Mount Laurel, New Jersey. It is anticipated that the Bonds in definitive form will be available for delivery through DTC in New York, New York on or about July 17, 2018.

BofA Merrill Lynch

THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN
IN THE COUNTY OF CAMDEN, NEW JERSEY

Board Members

Nicholas Perry, President
Michael Bortnowski
Cheryl Duffy
Maria James
Michael Hurley
Diane Johnson
Orlando Viera, Jr.
JoAnn Young
Mark Trost

Dr. Ronnie Tarchichi
Superintendent of Schools

Noreen Boston
School Business Administrator/Board Secretary

Walter Nicgorski
Treasurer

Solicitor
Frank P. Cavallo, Esquire
Parker McCay P.A.
Mount Laurel, New Jersey

Auditor
Bowman & Company LLP
Voorhees, New Jersey

Bond Counsel
Parker McCay P.A.
Mount Laurel, New Jersey

Municipal Advisor
Phoenix Advisors, LLC
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the School District or by the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such offer, solicitation or sale. The information set forth herein has been obtained from the School District and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the School District since the date hereof.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by references to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be obtained from the School District during normal business hours.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the School District, will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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OFFICIAL STATEMENT
Relating to

$35,669,000
THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN
IN THE COUNTY OF CAMDEN, NEW JERSEY
SCHOOL BONDS, SERIES 2018
(Callable)

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices attached hereto, sets forth certain information relating to The Board of Education of the Township of Pennsauken, in the County of Camden, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board) and the issuance of $35,669,000 aggregate principal amount of its School Bonds, Series 2018 ("Bonds"), pursuant to a proposal approved by the voters of the School District and a resolution of the Board described below.

The information contained herein relating to the School District including, *inter alia*, existing facilities, enrollment and other data was furnished by the School District unless otherwise indicated.

All financial and other information presented herein has been provided by the School District from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future, and is not necessarily indicative of future or continuing trends in the financial position of the School District.

AUTHORIZATION FOR THE BONDS

The School District is issuing the Bonds pursuant to: (i) Title 18A, Chapter 24, of the New Jersey ("State") Statutes, as amended and supplemented; *N.J.S.A.* 18A:24-1 *et seq*. ("School Bond Law"); and (ii) a resolution duly adopted by the Board on May 14, 2018 ("Resolution"). The Bonds are authorized by a proposal adopted by the Board on February 8, 2018 and approved by the legal voters of the School District at a special election held on March 13, 2018.

PURPOSE OF THE BOND ISSUE

The Bonds are being issued to fund a capital program consisting of: (a) construction of new classroom addition, replacement of exterior windows and doors and renovations to interior security vestibule and restroom at the Baldwin Early Childhood Learning Center; (b) replacement of exterior windows and doors and renovations to interior security vestibule at the Carson Elementary School; (c) renovations to interior security vestibule at the Burlington Elementary School, Delair Elementary School, Fine Elementary School and Pennsauken Township Intermediate School; (d) replacement of exterior windows and doors and renovations to interior security vestibule at the Franklin Elementary School; (e) demolition of existing facilities and construction of playground, walking trail, pavilion and athletic courts on that site at the Longfellow Elementary School; (f) construction of new classroom additions, conversion of existing space into educational laboratories, renovations to

the auditorium, relocation of the bus loop, renovations to storm drainage system and renovations to interior security vestibule at the Phifer Middle School; (g) construction of a new field house, plumbing laboratories, tennis courts and related site work, construction of a new main entrance and security vestibule, renovations to stadium field and bleachers, renovations to auditorium, library, gymnasium and locker rooms at the Pennsauken Township High School; and (h) construction of science laboratories, elevator and a gymnasium addition with restroom, replacement of existing roof, replacement of HVAC System, fire alarm system, fire suppression system and electrical system, renovations to doors, corridor ceilings, and multi-purpose room, exterior renovations to doors, windows and roof at the Roosevelt Magnet High School, together with the acquisition of all equipment and the completion of all work necessary or desirable to make said improvements and site work compatible with the existing facilities (collectively, the "Project").

The School District is authorized to expend an amount not to exceed $35,669,905 for the Project (of which, $16,741,745 represents eligible costs ("Final Eligible Costs"), as determined by the Commissioner of Education), for which the State has agreed to pay approximately 62.4364% of the debt service on the portion of the Bonds (including both principal and interest) issued to finance the Final Eligible Costs of the Project. The remaining payments of the Bonds issued to finance the portion of the Project not eligible for State support will not receive debt service aid.

THE BONDS

General Description

The Bonds will be issued in the aggregate principal amount of $35,669,000, will be dated the date of delivery and will bear interest from that date. Interest on the Bonds will be payable semi-annually on January 15 and July 15 ("Interest Payment Dates"), commencing July 15, 2019, in each year until maturity or earlier redemption. The Bonds will mature on July 15 in the years and in the principal amounts, all as shown on the cover page of this Official Statement. The Bonds shall be subject to redemption prior to their stated maturity dates as set forth herein.

The Bonds will be issued in fully registered book-entry-only form without coupons in the principal denominations of $5,000 or any integral multiple thereof. The principal of the Bonds will be payable to the registered owners at maturity upon presentation and surrender of the Bonds at the offices of the School District or its hereafter designated paying agent, if any. Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the School District or its hereafter designated paying agent for such purpose at the principal offices of the School District or its hereafter designated paying agent, as of the close of business on the first (1st) day of the calendar month containing an Interest Payment Date ("Record Date").

So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee for DTC. Disbursements of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as hereinafter defined) of the Bonds is the responsibility of the DTC Participants and not the School District or its hereafter designated paying agent. See "THE BONDS--Book-Entry Only System" herein.

Book-Entry Only System[1]

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the School District. Accordingly, the School District does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

[1] Source: The Depository Trust Company

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District or its hereafter designated paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or its hereafter designated paying agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its hereafter designated paying agent, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or its hereafter designated paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or its hereafter designated paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but neither the School District nor the Underwriter (as hereinafter defined) take any responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR ANY HEREAFTER DESIGNATED PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE HEADING "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions would apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the School District or its hereafter designated paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the School District or its hereafter designated paying agent for such purpose only upon the surrender thereof to the School District or its hereafter designated paying agent together with the duly executed assignment in form satisfactory to the School District and the Board or its hereafter designated paying agent and (iii) for every exchange or registration of transfer of Bonds, the School District or its hereafter designated paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date.

Redemption Provisions

The Bonds maturing prior to July 15, 2026 are not subject to redemption prior to maturity. The Bonds maturing on and after July 15, 2026 are subject to redemption prior to their stated maturity dates at the option of the School District, upon notice as set forth below, as a whole or in part (and, if in part, such maturities as the School District shall determine and within any such maturity by lot) on any date on or after July 15, 2025, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of redemption shall be given by mailing first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every Bond of which all or a portion is to be redeemed at his or her last address, if any, appearing on the registration books of the School District or its hereafter designated paying agent. So long as the Bonds are issued in book-entry-only form, all notices of redemption will be sent only to DTC, the securities depository for the Bonds or any successor, and will not be sent to the beneficial owners of the Bonds. Failure of an owner of the Bonds to receive such notice or of DTC to advise any participant or any failure of a participant to notify any beneficial owner of the Bonds shall not affect the validity of any proceedings for the redemption of the Bonds. Such notice shall specify: (i) the series and maturity of the Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the Bonds to be redeemed; (iv) in the case of a Bond to

be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such Bond or portion thereof to be redeemed shall cease to accrue and be payable.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Taxing Power

The Bonds are general obligations of the School District and the full faith and credit of the School District are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are payable, if payment is not provided in any other manner, from *ad valorem* taxes to be levied upon all taxable real property located within the School District without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

In accordance with Section 56 of the School Bond Law, *N.J.S.A.* 18A:24-56, the Bonds shall be a lien upon the real estate situated in the School District, the personal estates of the inhabitants of the School District and the property of the School District, and such estates and property shall be liable for the payment of the Bonds.

New Jersey School Bond Reserve Act

The Bonds will be secured under the provisions of the New Jersey School Bond Reserve Act of 1980, Chapter 56 of Title 18A of the New Jersey Statutes, as amended and supplemented, *N.J.S.A.* 18A:56-17 *et seq.* ("School Bond Reserve Act"). Pursuant to the School Bond Reserve Act, there shall be a reserve comprised of two accounts, one in an amount equal to at least one and one-half percent (1.5%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued before July 1, 2003 ("Old Reserve Account") and another in an amount equal to at least one percent (1%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 ("New Reserve Account", together with the Old Reserve Account, the "School Bond Reserve"). The amount to be held within the State Fund ("Fund") for the Support of Free Public Schools as the School Bond Reserve pledged by law to secure payments of principal and interest due on such bonds in the event of the inability of the issuer to make payment shall be determined on June 30 of each fiscal year by the State Treasurer and shall be funded in the amount determined by the State Treasurer on September 15 of the ensuing fiscal year. If the Old Reserve Account exceeds the amount determined to be required, the State Treasurer may transfer the excess to the New Reserve Account. The School Bond Reserve is required to be composed entirely of direct obligations of the United States Government or obligations guaranteed by the full faith and credit of the United States Government. The amount of the School Bond Reserve may not exceed the moneys available in the Fund. If a county, municipality or school district is unable to meet payment of principal of or interest on any of its bonds issued for school purposes, it shall certify such liability to the Commissioner of Education ("Commissioner") and the Director of the Division of Local Government Services ("Director") at least ten (10) days prior to the date any such payment is due. If the Commissioner and Director approve the certification, they shall certify the same to the trustees of the Fund. The trustees of the Fund will purchase such bonds at par value or will pay to the bondholders the interest due or to become due within the limit of funds available in either account of the School Bond Reserve in accordance with the provisions of the School Bond Reserve Act.

Payment by the trustees of the Fund on behalf of any county, municipality or school district shall be deducted from the appropriation or apportionment of State aid which may otherwise be payable to the school district, county or municipality, and shall not obligate the State or entitle the school district, county or municipality to the payment of any additional appropriation or apportionment. To date, there has been no occasion to call upon this Fund.

GENERAL INFORMATION REGARDING NEW JERSEY SCHOOL DISTRICTS

State's Role in Public Education

The Constitution of the State of New Jersey ("State") provides that the maintenance of and the support of a thorough and efficient system of public schools for the instruction of all children between 5 and 18 years of age is a legislative responsibility. Below is a summary of the role of the State.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the State Department of Education ("Department") which is a part of the executive branch of the State government. The Department is governed by the State Board of Education ("State Board"). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that are binding upon school districts, to acquire land and other property and to decide appeals from decisions of the Commissioner on matters of school law or State Board regulations.

The Commissioner is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State, with the advice and consent of the State Senate, for a five (5) year, salaried term. The Commissioner is responsible for the supervision of all school districts in the State and obligated to enforce the rules and regulations of the State Board. The Commissioner's consent is required for authorization to sell school bonds that exceed the statutory debt limits, and the Commissioner may also set the amount to be raised by taxation in a school district in a fiscal year, if a school budget has not been approved by the voters of the school district or by a board of school estimate, as the case may be, or by the governing body of the municipality.

The Executive County Superintendent of Schools ("County Superintendent") is appointed in each county in the State by the Commissioner with the approval of the State Board. The Executive County Superintendent is the local representative of the Commissioner and is responsible for the daily supervision of the school districts in the county.

Structure of New Jersey School Districts

School districts are generally coterminous with the boundaries of the municipalities they serve. They are characterized by the manner in which the governing body takes office. Type I school districts, most commonly found in cities, have a board of education appointed by the mayor or chief executive officer of the municipality. In Type II districts, the board of education is elected by the voters of the school district. Almost all regional and consolidated school districts operate as Type II school districts. The School District is a Type II school district.

There is a procedure whereby a school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district.

STATE AID TO SCHOOL DISTRICTS

General

In 1973, the State Supreme Court ("Supreme Court") ruled that the existing method of financing school costs primarily through property taxation was unconstitutional. Pursuant to the Supreme Court's ruling, the State Legislature enacted the Public School Education Act of 1975 (P.L. 1975, c. 212) ("Act"), which required funding of the State's school aid through the State Gross Income Tax Act (P.L. 1976, c. 47). The Act also intended to provide property tax relief. A new formula (*N.J.S.A.* 18A:7A-1 *et seq.*), which took into account a local school district's ability to pay for its operating costs, was made available commencing July 1, 1976.

On June 5, 1990, the Supreme Court ruled in *Abbott v. Burke* that the school aid formula described above did not distribute funds fairly. The Supreme Court found that poorer urban districts were significantly disadvantaged under the then funding formula because revenues were derived primarily from property taxes. The Supreme Court found that wealthy districts were able to spend more, yet tax less for educational purposes. In urban areas, on the other hand, the Supreme Court found the opposite to be true.

The Quality Education Act of 1990

The Legislative response to *Abbott v. Burke* was the passage of the Quality Education Act of 1990 ("Quality Education Act"), (P.L. 1990, c. 52), which was signed into law on July 3, 1990. This law established a new formula for the distribution of state aid for public education commencing with the 1991-92 fiscal year. The law provided a formula that took into account property value and personal income to determine a district's capacity to raise money for public education. A budgetary limitation or "CAP" on expenditures was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The Quality Education Act was amended and revised by Chapter 62 of the Pamphlet Laws of 1991 of the State, effective March 14, 1991, and further amended by Chapter 7 of the Pamphlet Laws of 1993, effective January 14, 1993.

On July 12, 1994, the Supreme Court declared the school aid formula under the Quality Education Act of 1990, as amended, unconstitutional on several grounds as it applied to the 30 special needs districts designated by the State in ongoing litigation commonly known as *Abbott v. Burke II*. No specific remediation was ordered, but the Supreme Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that the new formula would be implemented in the 1997-98 fiscal year.

Comprehensive Educational Improvement and Financing Act of 1996

In keeping with the Supreme Court's deadline, then Governor Christine Todd Whitman signed into law on December 20, 1996, the Comprehensive Educational Improvement and Financing Act of 1996 ("CEIFA" or "Comprehensive Plan"). The Comprehensive Plan affects how public schools are funded by the State, beginning in the 1997-98 fiscal year.

The Comprehensive Plan departs from other funding formulas adopted in the State in defining what constitutes a "thorough and efficient" education, which is what the State Constitution requires every public school student to receive. The Comprehensive Plan further establishes the costs to provide each student with a "thorough and efficient" education.

In defining what constitutes a "thorough" education, the State Board adopted a set of Core Curriculum Content Standards. The purpose of these standards is to provide all students with the knowledge and skills that will enable them to be productive citizens when they graduate from any State high school, regardless of the school's location or socioeconomic condition. The Comprehensive Plan provides state aid assistance in the form of Core Curriculum Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Contents Standards.

The definition of an "efficient" education under the Comprehensive Plan determines the cost to provide each student with an education that fulfills the requirements for the Core Curriculum Content Standards. The efficiency standard defines such things as optimal class size, administrator/teachers per student, schools per district, and the types and amount of classroom supplies, services, and materials. The Comprehensive Plan establishes an approximate amount per student to educate each student at various grade levels in the Core Curriculum Content Standards. This amount will be adjusted biennially for inflation by the consumer price index.

In determining how much Core Curriculum Standards Aid a school district will receive, the Comprehensive Plan considers each school district's financial ability to fund such a level of education. This component of the Comprehensive Plan is referred to as the local share requirement, namely, the amount of taxes that a school district can raise relative to other school districts based on property wealth and income levels. The purpose of the Core Curriculum Standards Aid is to provide school districts with adequate State assistance that is proportionate to their ability to pay. The purpose of this type of aid is to ensure that all school districts have the economic ability to provide their students with the ability to achieve the Core Curriculum Content Standards. In addition to the Core Curriculum Standards Aid, the Comprehensive Plan also provides per pupil assistance from the State for special education, early childhood programs, demonstrably effective programs, instructional supplement, bilingual education, county vocational schools and distance learning network.

Another form of aid that is provided by CEIFA is school facilities aid. During the 1997-98 fiscal period, this type of aid was provided to those school districts that qualified for aid under the Quality Education Act. The amount of school facilities aid that the State provided during the 1997-98 fiscal year was determined by the amount budgeted in the approved State budget.

Beginning in the 1998-99 fiscal year, State aid for school facilities consisted of a ratio that divides (i) the amount of debt service or the amount of facilities rent for lease terms that exceed five years required to be budgeted for a fiscal year period into (ii) the costs that are approved by the Department for a proposed building or renovation project. The approved facility costs under the Comprehensive Plan have not yet been determined. The Comprehensive Plan requires the Governor to submit to the legislature criteria for determining approved facilities costs, State support levels and maintenance incentives applicable to the fiscal year.

The Comprehensive Plan also limits the amount school districts can increase their annual current expense and capital outlay budgets. Generally, these budgets can increase by either two and one-half percent (2.5%) or the consumer price index, whichever is greater. Recent amendments to the Comprehensive Plan lowered the budget CAP to two and one-half percent (2.5%) from three percent (3%). Budgets can also increase because of certain adjustments for

enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceed $40,000 per pupil. Waivers are available from the Commissioner based on increasing enrollments and other fairly narrow grounds or by approval of the voters at the annual school election.

Under the Comprehensive Plan, rent payments made pursuant to a facilities lease purchase agreement for a term that exceeds five years are treated as debt service for accounting purposes. These rent payments will be eligible for aid in an amount determined in the State budget for the respective fiscal year. Rent payments under a facilities lease with a term not exceeding five years and under equipment leases are budgeted in the general fund and are subject to the school district's spending growth limitations under the Comprehensive Plan.

On May 14, 1997, the Supreme Court held that the Comprehensive Plan was unconstitutional as applied to the 28 special needs districts ("Abbott Districts") because: (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education; and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. They recognized the Core Curriculum Content Standards as a valid means of identifying what is a "thorough and efficient" education under the State Constitution, but found that the State did not adequately determine or provide the adequate funding level to allow those standards to be met in the Abbott Districts. The Comprehensive Plan was not held unconstitutional as applied to the non-Abbott Districts. The School District is not an Abbott District.

The Supreme Court ordered the State: (1) to increase State aid to the Abbott Districts for the 1997-98 school year to a level such that the per-pupil expenditure in such districts is equivalent to the average per-pupil expenditure in wealthy suburban districts; (2) through the Commissioner, to manage the additional spending to assure that it will be used to allow the students to meet the education content standards; and (3) under the supervision of the Superior Court, Chancery Division, to determine a plan to provide supplemental educational and facilities programs in the Abbott Districts.

Provisions for the additional amounts of money were appropriated in the State budgets. The Supreme Court then ruled that the Commissioner and the Department will be responsible for maintaining the educational system in accordance with the orders of the Supreme Court. In response to the order, the State enacted the Educational Facilities Construction and Financing Act discussed below.

Educational Facilities Construction and Financing Act

In response to the Supreme Court's order under CEIFA, then Governor Whitman signed into law on July 18, 2000, the Educational Facilities Construction and Financing Act ("Facilities Act"). The Facilities Act provides for full funding of the qualified costs of school facilities required in the Abbott Districts and for the funding of the qualified costs of school facilities for all other school districts in an amount equal to the ratio between their core curriculum facilities aid and their thorough and efficient budget times 115% or 40% of the qualified costs, whichever is greater. In lieu of debt service aid, school districts may elect to receive grants for the State's share of the capital project and authorize bonds only for the local share of the capital project. School districts may receive debt service aid under the same formula for certain capital projects which were begun prior to the effective date of the Facilities Act.

A challenge was made to have the Facilities Act declared unconstitutional because it authorizes the issuance of debt paid out of the State's General Fund without voter approval. On

August 21, 2002, the Supreme Court upheld the Facilities Act as constitutional advancing the guarantee of a "thorough and efficient" education.

School Funding Reform Act of 2008

On January 7, 2008, the New Jersey Legislature adopted Senate Bill No. 4000 (companion Assembly Bill No. 500) entitled the "School Funding Reform Act of 2008" ("School Funding Reform Act"), which establishes a new system for the funding of public school districts. The intent of the School Funding Reform Act is to create a fair, equitable, and predictable funding formula based on student characteristics, regardless of the community in which a student resides.

This legislation was signed into law by Governor Corzine on January 13, 2008.

The School Funding Reform Act maintains the requirements for the establishment and update by the State Board of Education of the core curriculum content standards that define the substance of a thorough education; however it repeals certain sections of the Comprehensive Educational Improvement and Financing Act of 1996, P.L.1996, c.138, which established the State aid formulas that supported school district programs to implement such standards. In addition, the School Funding Reform Act establishes revised formulas for calculating such State aid.

The School Funding Reform Act also establishes two categorical State aid programs. The first categorical aid program will support the cost of providing services to general special education students that is not supported through the adequacy budget. The second categorical aid program will support security costs for school districts. The School Funding Reform Act also includes preschool education State aid, which will fund a significant expansion of early childhood programs. The School Funding Reform Act continues extraordinary special education aid, but with a number of revisions. In addition, the School Funding Reform Act establishes the State aid category of educational adequacy aid for certain school districts that received education opportunity aid in the 2007-2008 school year and are spending below adequacy.

Moreover, the School Funding Reform Act provides a new formula for determining the amount of State aid received by a school district or county vocational school district for transportation aid.

The School Funding Reform Act also addresses issues associated with the funding of charter school students, as well as remaining choice students. The School Funding Reform Act also amends the Facilities Act to establish the category of a "SDA" district, which is a district that received education opportunity aid or preschool expansion aid in the 2007-2008 school year. For these "SDA" districts, the State share for their school facilities projects will remain at 100% and they will be constructed by the New Jersey Schools Development Authority. The School Funding Reform Act also revises numerous sections of law that are related to school funding and school budgeting procedures.

In the Supreme Court's most recent decision in *Abbott v. Burke* (decided on May 28, 2009), it was determined that the School Funding Reform Act of 2008 is constitutional as applied to the State's 31 Abbott Districts. The Supreme Court ordered the State to provide school funding to all districts during this and the next two (2) years in accordance with the School Funding Reform Act's funding formula, subject further to mandated review after three years of implementation.

Recent Developments in State Aid

The State provides aid to school districts in accordance with amounts provided annually in the State budget. Such aid includes equalization aid, special education categorical aid, transportation aid, preschool education aid, supplemental core curriculum standards aid, choice aid, education adequacy aid, security aid, adjustment aid and other aid as determined in the discretion of the Commissioner.

The State has reduced debt service aid by fifteen percent (15%) since 2011. As a result of the debt service aid reduction for such years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, for such years, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in such years' budgets representing fifteen percent (15%) of the school district's proportionate share of such respective years' principal and interest payments on the outstanding EDA bonds issued to fund such grants.

Legislation (Assembly Bill A-2, sponsored by Assembly Speaker Craig J. Coughlin, and its companion Senate Bill S-2, sponsored by Senate President Stephen M. Sweeney) has been passed by both houses of the State legislature that will, if signed into law by the Governor, modify the School Funding Reform Act to adjust the distribution of State aid to school districts, including the School District, in the State ("Pending Legislation"). In particular, the Pending Legislation, would revise the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid would be distributed to each school district based on student enrollment. The Pending Legislation would also eliminate the application of the State aid growth limit and adjustment aid, but would include a transition period for school districts that would receive less State aid. Under the Pending Legislation, school districts that would receive reduced State aid resulting from the revised funding formula would, in most instances, be provided a seven (7) year transition period under which funding would be reduced (with the exception of the Board of Education of the City of Jersey City, where the transition period would be five (5) years). For those school districts where State aid would increase under the Pending Legislation, the transition period to increase funding would be one (1) year.

As of this date, no action has been taken by the Governor with respect to the Pending Legislation and no assurances can be made that the Governor will sign the Pending Legislation into law. In addition, no assurances can be made as to the impact, if any, upon the finances or operations of the School District should the Pending Legislation be signed into law.

Notwithstanding the foregoing, nothing in the Pending Legislation affects, changes, or otherwise limits the ability or obligation of the School District to levy *ad valorem* taxes to pay the principal of and interest on the Bonds should payment of the Bonds not be available from other sources of the School District.

FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The No Child Left Behind Act of 2001, 20 *U.S.C.A.* § 6301 *et seq*. ("NCLB") is a federal assistance program for which a school district qualifies to receive aid. Under the NCLB, states and local educational agencies have been given flexibility with regard to the use of federal funds for education. Federal aid is generally received in the form of block grants.

SUMMARY OF CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY RELATING TO SCHOOL DISTRICTS AND SCHOOL DEBT

Levy and Collection of Taxes

School districts in the State do not levy or collect taxes to pay for those budgeted amounts which are not provided by the State. The municipalities within which a school district is situated levy and collect the required taxes and must remit them in full to the school district.

School Budgets

On January 17, 2012, Governor Christopher J. Christie signed into law Senate Bill S-3148 which allows a school district to hold its annual school election in either April or on the same day as the General Election in November. The change in election date can be made by resolution of the board of education or the municipality or municipalities that are members of a regional board of education, or by citizen petition. On January 26, 2012, the Board passed a resolution to officially change the date of its annual election to the first Tuesday in November.

In a Type II school district holding its annual election in April, the elected board of education develops the budget proposal and, after a public hearing, submits it for voter approval. Debt service provisions are not subject to a voter approval. If approved, the budget goes into effect. If defeated, the municipal governing body has until May 19 to fix the amount to be raised by taxation and certify that amount to the County Board of Taxation. The board of education may then appeal the action of the governing body to the Commissioner.

In a Type II school district holding its annual election in November, the elected board of education develops the budget proposal in a timeframe identical to that described above. If the budget is at or below the state cap, voter approval is not required and the budget immediately goes into effect. If the budget exceeds the state mandated cap, the budget becomes temporary and the portion exceeding the cap is then submitted for voter approval in November.

The Commissioner must also review every proposed local school district budget for the then current school year. The Commissioner has the power to increase or decrease individual line items in a budget. Any amendments in the school district's budget must be approved by the board of the school district.

Limitation of Increase in the Net Current Expense Budget

Annual increases in a school district budget are limited by law subject to certain limited exceptions. Specifically, P.L. 2007, c. 62, which became effective April 3, 2007, amended the prior limitations on a school district's ability to increase its net budget under CEIFA by placing a four percent (4%) cap on the amount that can be raised by property taxation in a given year for school district purposes (excluding debt service payments) over the prior budget year's tax levy. Appropriations for the payment of debt service on bonds, notes and lease obligations over five (5) years approved by the Commissioner were not subject to such limitations and were required to be included in full in a school district's budget.

Although P.L. 2007, c. 62 allowed for certain adjustments to the four percent (4%) tax levy cap for increases in enrollment, reductions in state aid and increases in health care costs, the bill also granted to the Commissioner discretion to grant waivers from the cap for increases in special education costs, capital outlay, and tuition charges for sending districts. During the first school

budget year following the enactment of P.L. 2007, c. 62 (i.e., for the school year 2007-2008), school districts were permitted to seek voter approval to exceed the four percent (4%) levy cap. Such approval had to be obtained by a simple majority of those voting. After the first year, however, school districts were required to receive approval by at least sixty percent (60%) of the voters to exceed the levy cap. In addition, the Commissioner was given the ability to grant certain extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

Legislation constituting P.L. 2010, c. 44 ("Chapter 44"), was adopted on July 13, 2010 and is applicable to the next local budget year following enactment. Chapter 44 provides limitation on school district spending by limiting the amount a school district can raise for school district purposes through the property tax levy by two percent (2%) over the prior year's tax levy; with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of two percent (2%), certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election. The process for obtaining waivers from the Commissioner for additional increases over the tax levy or spending limitations has been eliminated under Chapter 44.

The restrictions under Chapter 44 solely apply to the property tax levy related to a school district's general fund and are not applicable to a school district's debt service fund. Accordingly, there are no restrictions imposed by Chapter 44 on a local school district's ability to raise funds through its property tax levy for debt service, and nothing contained in Chapter 44 limits the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the district to pay debt service on its bonds or notes.

Uniform System of Bookkeeping

Effective July 1, 1993, the State mandated that all school districts develop and implement accounting practices consistent with generally accepted accounting principles ("GAAP"). In addition, the school districts are required to comply with the Uniform Minimum Chart of Accounts (Federal Handbook 2R2) for their internal accounting reporting systems. The School District's financial statements since the above effective date have been prepared in accordance with the GAAP requirements.

Annual Audits

The board of education of each school district annually shall have a licensed public school accountant perform an audit of a school district's accounts and financial transactions. Within five months after the end of the school fiscal year, the Commissioner shall receive certified copies of each school district's audit. In addition, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days of its completion.

Debt Limitation

Except as provided below, no additional debt shall be authorized by a local school district if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grade Pre-kindergarten through grade twelve school district, the School District can borrow up to four percent (4%) of the average equalized valuation of taxable property in the School District. The School District is within its debt capacity.

Exceptions to Debt Limitation

A Type II local school district may also utilize its municipality's remaining statutory borrowing power (i.e. the excess of three and one-half percent (3.5%) of the average equalized valuation of taxable property within the municipality over the municipality's net debt). The School District has not utilized any part of the constituent municipalities borrowing margin. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

Bonds and Notes

School district bonds and bond anticipation notes are required to be issued in conformity with the School Bond Law, which establishes debt limits on the issuance of bonds or notes. The debt limits vary depending on the type of school system.

The School District is a Type II school district. All authorizations of debt in a Type II school district not having a board of school estimate require an approving referendum. The Local Finance Board in the Department of Consumer Affairs, Division of Local Government Services ("Local Finance Board") and the Commissioner must approve any proposed authorization of debt that exceeds the combined statutory debt limitations of a Type II school district and the municipality or municipalities coterminous therewith. When such obligations are issued, they are issued in the name of the school district.

Prior to final approval, all authorizations of debt must be reported by a supplemental debt statement to the Division of Local Government Services, a State agency having regulatory responsibility for all state and local debt incurrence in the State.

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one year periods, with the final maturity not exceeding five years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired in each year subsequent to said third anniversary date.

Exceptions to the Requirements for the Issuance of Bonds and Notes

School districts may authorize and issue refunding bonds pursuant to *N.J.S.A.* 18A:24-1 *et seq.* without a voter referendum for the purpose of paying for the redemption of a series of bonds previously issued by the school district, together with the costs of issuing the refunding bonds.

Additionally, pursuant to *N.J.S.A.* 18A:18A-4.6, school districts may issue "energy savings obligations" (in the same manner as refunding bonds) without voter approval to fund the costs of certain improvements that result in reduced energy use, including, but not limited to, installation of energy efficient equipment; demand response equipment; combined heat and power systems; facilities for the production of renewable energy; water conservation measures, fixtures or facilities; building envelope improvements that are part of an energy savings improvement program; and related control systems for each of the foregoing (collectively, "Energy Conservation Measures"); provided that the amount of the savings resulting from reduced energy usage will cover the cost of

such Energy Conservation Measures. Energy savings obligations require the approval of the Local Finance Board prior to issuance.

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements: (i) for the acquisition of equipment; (ii) for the acquisition of land and school buildings; and (iii) for the construction or the improvement of the school buildings. Generally, lease purchase agreements for equipment cannot exceed five (5) years without the approval of the Commissioner. Lease purchase agreements for Energy Conservation Measures may be for a term of up to fifteen (15) years (twenty (20) years for the lease of combined heat and power equipment); provided that the amount of the savings resulting from reduced energy usage will cover the cost of such improvements. The Facilities Act repealed the authorization to enter into facilities leases in excess of five (5) years other than for Energy Conservation Measures. Lease purchase agreements involving a ground lease of school facilities for a term of five (5) years or less must be approved by the Commissioner. The payment of rent on a lease not in excess of five (5) years (other than for Energy Conservation Measures) is treated as a current expense and is within the CAP on the school district's budget. Under CEIFA, lease purchase payments on leases in excess of five years (other than for Energy Conservation Measures) will be treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and will be outside the school district's spending limitation on the General Fund.

Related Constitutional and Statutory Provisions

In the general election of November 2, 1976, as amended by the general election of November 6, 1984, the following Article 8, Section 1, Paragraph 7, in respect of a state income tax, was added to the State Constitution:

> No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the federal Social Security Act, the federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State. Interest payable on the Refunding Bonds is exempt therefrom.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths of all of the members of each house of the Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

Rights and Remedies of Owners of Bonds

The New Jersey Municipal Finance Commission Act, Chapter 27 of Title 52 of the New Jersey Statutes, as amended and supplemented ("Municipal Finance Commission Act"), provides that when it has been established by court proceeding that a municipality has defaulted for over sixty (60) days in the payment of the principal of or interest on any of its outstanding bonds or notes, the Local Finance Board (which, pursuant to the Municipal Finance Commission Act, is constituted the Municipal Finance Commission and shall hereinafter be referred to as the "Commission") shall take control of the fiscal affairs of the defaulting municipality.

The Municipal Finance Commission Act provides that the Commission shall remain in control in the municipality until all bonds or notes of the municipality that have become due and all bonds or notes that will become due within one year, and the interest thereon, have been paid, funded or refunded, or the payment thereof in cash shall have been adequately provided for by a cash reserve.

The Municipal Finance Commission Act empowers the Commission to direct the school district coterminous with the municipality to provide for the funding of bonds or notes of the school district and the interest thereon, which the Commission shall have found to be outstanding and unpaid and to be due or become due. The Municipal Finance Commission Act further authorizes the Commission to bring and maintain an appropriate proceeding for the levy or collection of taxes for the payment of principal of or interest on such indebtedness, which special tax shall be levied upon all the real and personal property in the school district subject to taxation.

Under Article 6 of the Municipal Finance Commission Act, while the Commission functions in a municipality having a school district coterminous therewith, no judgment, levy, or execution against the school district or its property for the recovery of the amount due on any bonds, notes or other obligations of the school district in the payment of which it has defaulted, shall be enforced unless otherwise directed by court order. However, Article 6 of the Municipal Finance Commission Act also provides that upon application of any creditor made upon notice to the school district and the Commission, a court may vacate, modify, or restrict any such statutory stay contained therein.

Limitation of Remedies Under Federal Bankruptcy Code

The undertakings of the School District should be considered with reference to Chapter 9 of the Bankruptcy Act, 11 *U.S.C.* Section 901 *et seq.*, as amended by Public Law 94-260, approved May 8, 1976 ("Chapter 9"), the Bankruptcy Reform Act of 1978, effective November 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective November 22, 1994, and other bankruptcy laws affecting creditors' rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter 9 and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under Chapter 9 shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or materials actually provided within three (3) months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to *N.J.S.A.* 52:27-40 *et seq.* ("State Bankruptcy Statute"), which provides that a municipality or school district has the power to file a petition in bankruptcy provided the approval of the New Jersey Municipal Finance Commission has been obtained. The powers of the New Jersey Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality or school district must follow in order to take advantage of the provisions of the Bankruptcy Act.

THE ABOVE REFERENCES TO CHAPTER 9 AND THE STATE BANKRUPTCY STATUTE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE SCHOOL DISTRICT EXPECTS TO RESORT TO THE PROVISIONS OF CHAPTER 9 AND THE STATE BANKRUPTCY STATUTE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCES OF PAYMENT OF AND SECURITY FOR THE BONDS.

INFORMATION REGARDING THE SCHOOL DISTRICT

General

General information concerning the School District and the Township of Pennsauken, including statistical, demographic and other relevant data, is set forth in Appendix "A" to this Official Statement.

Financial

Appendix "B" to this Official Statement contains audited financial statements of the School District for the Fiscal Years 2017 and 2016. A copy of the 2017 audit prepared by Bowman & Company LLP, Voorhees, New Jersey, containing the financial statements and complete Reports of Audit may be obtained upon request to the office of the Business Administrator/Board Secretary.

LITIGATION

Upon delivery of the Bonds, the School District shall furnish an opinion of Frank P. Cavallo, Esquire, of the law Firm of Parker McCay P.A., Mount Laurel, New Jersey, the School District's solicitor ("Solicitor"), dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such opinion shall state that there is no litigation of any nature now pending or threatened by or against the School District wherein an adverse judgment or ruling could have a material and adverse impact on the financial condition of the School District or adversely affect the power to levy, collect and enforce the collection of taxes and other revenues for the payment of its bonds, which has not otherwise been disclosed in this Official Statement.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Parker McCay P.A., Mount Laurel, New Jersey, as bond counsel to the School District ("Bond Counsel"), whose approving legal opinion will be delivered with the Bonds

substantially in the form set forth in Appendix "D" hereto. Certain legal matters will be passed upon for the School District by the Solicitor.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the School District, assuming continuing compliance by the School District with the tax covenants described below, under existing law, interest on the Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the School District's covenants contained in the Bond Ordinances, and in the Certificate as to Non-Arbitrage and Other Tax Matters, that it will comply with the applicable requirements of the Code, relating to, *inter alia*, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the School District to comply

with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by Banks, Thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The School District has **not** designated the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code.

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

New Jersey

Bond Counsel is also of the opinion that interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE BONDS AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

CONTINUING DISCLOSURE

In accordance with the provisions of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended, the School District will, prior to the issuance of the Bonds, enter into an agreement, substantially in the form set forth in Appendix "C" hereto ("Continuing Disclosure Agreement").

Within the five years immediately preceding the date of this Official Statement, the School District previously failed to file late filing notices and/or event notices in connection with: (a) a bond insurer rating change; and (b) a program rating change. Such notices of events and late filings have since been filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access Dataport. The Board appointed Phoenix Advisors, LLC in November of 2014 to serve as continuing disclosure agent.

UNDERWRITING

The Bonds have been purchased from the School District at a public sale by Bank of America Merrill Lynch, New York, New York, as underwriter ("Underwriter"), pursuant to a Certificate of Determination and Award, dated June 26, 2018. The Underwriter has purchased the Bonds in accordance with the Notice of Sale and the Official Form of Proposal. The Underwriter is obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing bonds into investment trusts) at yields higher than the public offering yields set forth on the cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

NO DEFAULT

There is no record of default in the payment of the principal of or interest on the bonds or notes of the School District.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, served as municipal advisor to the Board ("Municipal Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Municipal Advisor. Certain information set forth herein has been obtained from the Board and other sources, which are deemed reliable, but no warranty,

guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument. The Municipal Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P"), has assigned an underlying rating on the Bonds of "AA-" based upon the creditworthiness of the School District. S&P has also assigned its enhanced rating of "BBB+" to the Bonds based upon the additional security provided by the New Jersey School Bond Reserve Act.

Explanations of the significance of the ratings may be obtained from S&P at 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. Such ratings reflect only the views of S&P. There is no assurance that the ratings mentioned above will remain in effect for any given period of time, or that they might not be lowered or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Neither the Underwriter (as defined herein), nor the School District has undertaken any responsibility either to bring to the attention of the holders of the Bonds any proposed change in or withdrawal of a rating of the Bonds or to oppose any such proposed change or withdrawal. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Bonds.

PREPARATION OF OFFICIAL STATEMENT

The School District hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm same to the purchasers of the Bonds, by certificates signed by various School District officials.

All other information has been obtained from sources that the School District considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Parker McCay P.A. has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except under the heading "TAX MATTERS") and, accordingly, will express no opinion with respect thereto.

Bowman & Company LLP, Voorhees, New Jersey, compiled this Official Statement from information obtained from School District management and other various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information. Bowman & Company LLP does take responsibility for the financial statements, appearing in Appendix "B" hereto, to the extent specified in the Independent Auditor's Reports.

LEGALITY FOR INVESTMENT

Applicable laws of the State provide that the Bonds are legal investments for funds held by, *inter alia*, banks, savings banks, trust companies, insurance companies or associations and fiduciaries.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to Noreen Boston, Business Administrator/Board Secretary, Township of Pennsauken Board of Education, 1695 Hylton Road, Pennsauken, NJ 08110, or to the Municipal Advisor, Phoenix Advisors, LLC at 4 West Park Street, Bordentown, New Jersey 08505.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of the Bonds.

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

This Official Statement has been duly executed and delivered by Business Administrator/ Board Secretary of the School District.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN IN THE COUNTY OF CAMDEN, NEW JERSEY

By: /s/ NOREEN BOSTON
NOREEN BOSTON,
Business Administrator/Board Secretary

Dated: June 26, 2018

APPENDIX A

GENERAL INFORMATION RELATING TO THE SCHOOL DISTRICT AND ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN IN THE COUNTY OF CAMDEN, STATE OF NEW JERSEY

GENERAL INFORMATION ON THE SCHOOL DISTRICT(1)

General

The Pennsauken Township School District ("School District") is a Type II school district. It functions independently through a nine-member board ("Board") elected by the voters in alternate three-year terms.

The Board prepares annually an operating and maintenance, capital outlay and debt service budget. The amounts to be raised by taxation for operating and maintenance expenses and capital outlay projects are submitted to the voters for approval. If the amounts are disapproved, the Township Committee fixes an amount and certifies same to the Board and to the County Board of Taxation. If the Board determines that the amount certified by the Township is insufficient to operate a thorough and efficient school system, the Board may appeal to the State Commission of Education to restore the local funds eliminated.

School operations are based on a July 1 to June 30 fiscal year and are accounted for in the General Fund of the School District.

The Township's public school system has a total of 12 schools and educates students from grades Pre-K through 12. Special education students are mainstreamed into the public school system. The senior high school also has cooperative programs with the Camden County Vocational School and adult evening programs.

School District Enrollments(1)

	As of October 15,				
Grade	**2017**	**2016**	**2015**	**2014**	**2013**
Pre-K	109	122	144	151	143
K	292	324	333	340	370
1	326	317	345	369	364
2	298	304	339	331	345
3	296	316	334	327	321
4	293	320	327	321	295
5	298	308	309	310	307
6	297	315	306	319	282
7	316	312	323	293	330
8	305	332	298	335	318
9	256	241	252	295	285
10	243	236	308	285	263
11	277	309	296	276	312
12	280	267	273	284	280
Sp. Education	751	803	840	836	888
Total (2)	4,637	4,826	5,027	5,072	5,103

(1) Source: School District officials
(2) Excludes out-of-district students

Present School Facilities, Enrollment and Capacity(1)

Facilities	Date Constructed	Renovations/ Additions	Grades	Enrollment 10/15/17	Functional Capacity
Baldwin	1955		Spec. Ed/Pre-K	68	275
Burling	1963	2007	K-4	113	150
Delair	1924	(new building 2002)	K-4	362	430
George B. Fine	1964	2002	Pre-K-4 & Spec. Ed	286	378
Benjamin Franklin	1954	1964/1990	Spec. Ed/K-4	392	551
Longfellow	1926		K-4	209	227
Roosevelt	1926		K-4 & Spec. Ed	135	217
B.T. Washington	1927		Special Education Alternative Center	n/a	43
Howard M. Phifer Middle	1965	1989/1991	7-8 & Spec. Ed	764	1,274
Senior High	1959	1991/2001	9-12 & Spec. Ed	1,279	1,986
G.H. Carson	1954	1991	K-4 & Spec. Ed	307	314
Pennsauken Intermediate	2002		5 & 6	722	986
Total				4,637	7,317

School District Employees

	June 30,				
	2017	2016	2015	2014	2013
Permanent	841	798	886	982	975
Part-time	99	146	230	92	86
Total	940	944	1,116	1,072	1,061

Employee Collective Bargaining Units

The following is a schedule of employee collective bargaining units, number of employees represented and dates of expiration of current contracts:

Collective Bargaining Unit	Employees Represented	Contract Expiration Date
Pennsauken Transportation Association	68	June 30, 2019
Pennsauken Association Educational Secretaries	33	June 30, 2019
Pennsauken Education Association	475	June 30, 2018
Administrators Association of Pennsauken	23	June 30, 2019
Pennsauken Education Assistants Association & Non-Teaching Asst	106	June 30, 2019
American Federation State, County and Municipal Employees (Maintenance/Custodial)	83	June 30, 2017 *

(1) Source: School District officials

* The School District is working on dates to continue negotiations.

Budget/Referendum History

The Board must submit its annual budget for voter approval. The amounts budgeted for interest and debt redemption charges are not subject to voter approval. Over the last five years the outcome of the school budget election was as follows:

Budget Year	Outcome of Election	Amount as Originally Proposed
2018-2019	(1)	$110,334,093
2017-2018	(1)	108,593,236
2016-2017	(1)	105,722,973
2015-2016	(1)	102,040,600
2014-2015	(1)	103,513,349

Compensated Absences

School District employees participate in one of eight collective bargaining units with varying provisions for the accumulation of unused sick leave. However, in each case payment for unused sick leave does not occur until retirement from the School District or in some cases upon death of the employee. An accounting of the accumulated days is maintained. For additional information regarding compensated absences, see Appendix B: Financial Statements of the School District, Note 15 to Financial Statements.

Pension Plans

Those School District employees who are eligible for pension coverage are enrolled in one of three pension systems established for school districts by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension plans, see Appendix B: Financial Statements of the School District, Note 9 to Financial Statements.

HIGHER EDUCATION FACILITIES

Rutgers University-Camden Campus

Rutgers University-Camden ("Rutgers"), is a comprehensive, publicly-supported, co-educational four-year institution accredited by the Middle States Association of Colleges and Secondary Schools and funded primarily by the State, was founded in 1950 on a 23.8 acre campus in the City of Camden. As of September, 2016, there were approximately 5,021 undergraduate students and 1,454 graduate students.

(1) Current Expense Levy was within the 2.0% State CAP, therefore an election was not required.

Camden County College

Fully accredited by the Middle States Association of Colleges and Secondary Schools, Camden County College ("College") is a comprehensive publicly supported, co-educational two-year institution developed under the State Department of Higher Education. It is funded in part by the County Board of Chosen Freeholders who appoint an eleven (11) member Board of Trustees. The College has three distinct campuses in Blackwood, Camden and Cherry Hill – along with its satellite locations in Lakeland, Sicklerville and elsewhere throughout the County.

As of the Fall of 2017, full time enrollment was 5,041 and part-time enrollment was 5,451 for a total of 10,492.

Camden County Technical Schools

From a vocational school that opened with 400 students in 12 trade areas in 1928, Camden County Technical Schools ("CCTS") has grown to be one of the largest and most comprehensive technical schools in the nation. The district today encompasses a full range of day and evening programs at campuses in Pennsauken and Gloucester Township. Beginning in 2012, the adult programs were operated by Camden County College as part of the Camden County shared services agreement.

For high school students, there are 32 career programs from which to choose. For the 2017-2018 school year, 1,325 students are enrolled at the Gloucester Township Campus, and 771 at the Pennsauken Campus, including 323 Special Education Students between the two campuses. Seniors are offered the opportunity to participate in several of our school-to-career programs and are offered lifetime job placement assistance. In addition, students are offered a full-range of athletics and activities to complement their education. Through Camden County College, high school juniors and seniors at CCTS have various opportunities to earn college credit for college level work completed while in high school. Students may bank the credits earned for future enrollment at colleges and universities.

In addition to the facilities mentioned above, Stockton University, University of Pennsylvania, Temple University, LaSalle University, Villanova University, St. Joseph's University, Drexel University and Rowan University are all within a commuting distance from the Township.

LOCAL SCHOOL DISTRICT BUDGETS *

	2018-19	2017-18
Revenues:		
General Fund:		
Fund Balance Appropriated	$ 10,226,236	$ 9,841,047
Withdrawals from Reserves	330,369	2,283,942
Local District School Taxes	39,764,188	39,764,188
State and Federal Aid	52,022,105	48,751,078
Interest Earned	240	
Tuition	14,478	151,560
Rents and Royalties	144,000	144,000
Miscellaneous	400,000	400,000
Total General Fund	102,901,616	101,335,815
Special Revenue Fund:		
State and Federal Aid	3,725,117	3,474,821
Debt Service Fund:		
Transfers from Capital Reserve	330,369	296,442
State Aid	1,482,510	1,512,499
Local Tax Levy	1,894,721	1,973,659
Total Debt Service Fund	3,707,600	3,782,600
Total Revenues	$ 110,334,333	$ 108,593,236
Appropriations:		
General Fund:		
Current Expense:		
Regular Programs--Instruction	$ 27,070,855	$ 24,917,268
Special Education--Instruction	7,014,813	7,210,919
Basic Skills Remedial--Instruction	1,549,974	1,787,505
Bilingual Education--Instruction	671,378	647,860
Vocational Programs--Local--Instruction	664,424	
School-Spon. Co-curricular Activities--Instruction	382,250	577,350
School-Spon. Athletics--Instruction	747,805	617,020
Summer School	265,000	
Alternative Education	350,000	251,000

* As Originally Adopted

LOCAL SCHOOL DISTRICT BUDGETS *

	2018-19	2017-18
Appropriations:		
General Fund:		
Undistributed Expenditures:		
Tuition	$ 7,966,948	$ 8,003,864
Attendance and Social Work Services	220,263	145,693
Health Services	892,998	854,601
Speech, OT, PT and Related Services	783,890	755,354
Other Support Services Std--Extra Services	1,379,288	1,231,725
Other Support Services--Guidence	1,244,385	1,110,688
Other Support Serices--Child Study Teams	1,771,468	1,529,203
Improvement of Instructional Services	843,701	820,775
Educational Media Services--School Library	872,191	711,267
Instructional Staff Training Services	2,000	6,000
Support Services--General Administration	1,438,664	1,128,237
Support Services--School Administration	3,161,212	3,031,797
Support Services--Central Services and Admin. Info. Technology	1,428,573	1,186,989
Operation and Maintenance of Plant Services	9,149,919	9,034,331
Student Transportation Services	6,022,823	6,104,513
Personal Services--Employee Benefits	20,628,732	22,313,213
Interest Earned	220	
Total Current Expense	96,523,774	93,977,172
Capital Outlay:		
Equipment	851,869	613,677
Capital Reserve- Transfer to Capital Projects Fund		1,987,500
Capital Reserve- Transfer to Debt Service Fund	330,369	296,442
Increase in Capital Reserve	330,369	296,442
Interest Deposit to Capital Reserve	20	
Facilities Acquisition and Construction Services	423,349	
Total Capital Outlay	1,935,976	3,194,061
Transfer to Charter Schools	4,441,866	4,164,582
Total General Fund	102,901,616	101,335,815
Special Revenue Fund:		
State and Federal Projects	3,725,117	3,474,821
Debt Service Fund:		
Principal and Interest	3,707,600	3,782,600
Total Appropriations	$ 110,334,333	$ 108,593,236

* As Originally Adopted

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Unaudited

	Fiscal Year Ended June 30,				
	2017	2016	2015	2014	2013
Revenues:					
Tax Levy	$ 40,244,878.00	$ 39,422,769.00	$ 37,668,897.00	$ 37,692,291.00	$ 37,023,190.00
Other Local Revenue	1,329,807.57	1,278,973.21	1,973,580.20	1,712,525.20	1,367,226.98
State Sources	61,752,746.87	61,857,826.17	60,682,776.03	58,240,081.49	58,964,913.98
Federal Sources	4,054,752.94	4,282,445.62	4,121,289.05	3,771,762.43	3,479,531.33
Total Revenue	107,382,185.38	106,842,014.00	104,446,542.28	101,416,660.12	100,834,862.29
Expenditures:					
Instruction					
Regular Instruction	22,154,633.46	22,735,815.59	24,601,305.34	23,241,590.12	23,335,721.43
Special Education Instruction	9,016,790.11	9,157,988.28	8,987,144.08	8,287,914.36	8,364,364.02
Other Special Instruction	1,342,823.68	701,368.56	594,090.69	389,029.50	406,592.66
Other Instruction	1,330,115.73	1,126,398.82	1,202,434.37	1,185,925.72	1,120,288.39
Tuition	10,267,822.57	9,620,422.54	9,637,485.76	8,656,264.36	8,389,161.81
Support Services:					
Student and Instruction Related Services	7,927,007.13	7,403,264.51	6,805,849.76	6,369,360.75	6,538,232.51
School Administrative Services	2,715,143.35	2,610,661.75	2,527,503.34	2,756,902.72	2,852,777.05
Other Administrative Services	2,222,950.92	2,163,538.69	2,369,038.90	2,843,355.16	2,981,466.79
Plant Operations and Maintenance	7,296,619.45	7,354,406.91	7,581,679.95	8,215,703.48	7,799,982.52
Pupil Transportation	5,161,320.66	4,834,736.62	4,974,448.51	4,218,301.21	4,305,008.68
Unallocated Benefits	16,607,530.13	16,769,976.31	16,514,849.05	16,401,704.17	17,089,019.69
Reimbursed TPAF Pension and Social Security	9,387,999.56	8,331,086.77	7,383,515.97	6,490,899.54	7,764,947.73
Transfer to Charter Schools	3,725,444.00	3,363,325.00	2,813,640.00	2,380,337.00	1,988,577.00
Debt Service:					
Principal	3,320,000.00	3,170,000.00	3,230,000.00	3,130,000.00	3,040,000.00
Interest and Other Charges	415,400.00	510,500.00	515,906.68	816,255.00	945,455.02
Bond Issuance Costs			127,905.03		
Capital Outlay	2,618,966.44	3,074,317.20	5,578,929.36	6,198,993.72	3,928,551.09
Total Expenditures	105,510,567.19	102,927,807.55	105,445,726.79	101,582,536.81	100,850,146.39
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,871,618.19	3,914,206.45	(999,184.51)	(165,876.69)	(15,284.10)
Other Financing Sources (Uses):					
Proceeds from Lease Purchase	6,685,000.00				
Change in Inventory			(26,486.85)	(5,034.65)	(20,090.53)
Accounts Receivable/Payable Canceled			(27,654.98)	(169,585.80)	(288,705.98)
Cancelation of Special Revenue Grant Balances			(11,782.03)		10,723.42
Proceeds from Issuance of Refunding Bonds			13,555,000.00		
Premium from Issuance of Refunding Bonds			1,002,412.55		
Defeasance of Bond			(14,150,000.00)		
Loss from Issuance of Refunding Bonds			(804,424.82)		
Unamortized Loss on Bonds			524,917.30		
Transfers In			3,695,836.00		
Transfers Out			(3,695,836.00)		
Total Other Financing Sources (Uses)	6,685,000.00	-	61,981.17	(174,620.45)	(298,073.09)
Net Change in Fund Balances	8,556,618.19	3,914,206.45	(937,203.34)	(340,497.14)	(313,357.19)
Fund Balances, July 1	19,650,782.81	15,736,576.36	16,673,779.70	17,014,276.84	17,327,634.03
Fund Balances, June 30	$ 28,207,401.00	$ 19,650,782.81	$ 15,736,576.36	$ 16,673,779.70	$ 17,014,276.84

Source: School District Reports of Audit

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION - ALL PROPRIETARY FUND TYPES (1)

	Fiscal Year Ended June 30,				
	2017	**2016**	**2015**	**2014**	**2013**
OPERATING REVENUES:					
Charges for Services:					
Daily Sales - Reimbursable Programs:					
School Lunch Program	$ 381,332.80	$ 367,021.20	$ 379,785.92	$ 386,306.51	$ 383,875.12
School Breakfast Program	28,785.11	17,884.10	17,230.25	13,010.75	12,830.75
Special Milk Program	3,638.40	2,310.25	2,889.50	3,466.75	3,187.75
Daily Sales - Non-Reimbursable Programs	269,904.07	361,581.22	336,178.48	360,218.38	381,416.63
Miscellaneous	15,134.49	5,517.19	9,771.93	16,305.64	9,931.29
Special Functions	16,973.75	22,987.77	22,197.76	16,930.19	22,150.53
Total Operating Revenues	715,768.62	777,301.73	768,053.84	796,238.22	813,392.07
OPERATING EXPENSES:					
Salaries	828,229.14	871,985.75	977,226.87	810,551.50	788,972.70
Employee Benefits	572,083.11	700,703.25	652,483.00	619,205.23	617,117.97
General Supplies	94,984.80	18,772.94	10,581.52	6,856.06	8,091.64
Other Purchased Services	44,780.43				
Depreciation	49,017.66	62,550.16	76,864.31	77,131.05	87,684.14
Utilities	114,689.93				
Cost of Sales	1,270,571.20	1,513,213.71	1,574,511.38	1,361,491.93	1,424,852.72
Miscellaneous	705.22	58,254.32	71,319.45	51,134.93	48,874.69
Total Operating Expenses	2,975,061.49	3,225,480.13	3,362,986.53	2,926,370.70	2,975,593.86
Operating Income / (Loss)	(2,259,292.87)	(2,448,178.40)	(2,594,932.69)	(2,130,132.48)	(2,162,201.79)
NONOPERATING REVENUES (EXPENSES):					
State Sources:					
State School Lunch Program	32,893.52	33,808.44	36,017.15	36,381.98	34,271.02
Federal Sources:					
National School Lunch Program	1,554,873.98	1,627,245.50	1,635,533.32	1,591,838.65	1,518,949.27
National School Breakfast Program	565,153.64	584,795.81	645,704.37	377,528.17	344,643.68
Special Milk Program	3,566.27	4,254.90	5,623.45	4,919.36	5,504.47
Food Distribution Program	183,829.59	199,046.58	162,143.01	191,363.17	184,056.68
Fresh Fruit and Vegetable Program	51,857.07		22,041.08	17,081.63	62,327.25
Breakfast Expansion Program			10,000.00		
Interest Revenue	2,617.22	1,072.03	1,162.39	1,234.22	8,215.02
Total Nonoperating Revenues (Expenses)	2,394,791.29	2,450,223.26	2,518,224.77	2,220,347.18	2,157,967.39
Change in Net Position	135,498.42	2,044.86	(76,707.92)	90,214.70	(4,234.40)
Net Position -- July 1	893,948.77	891,903.91	968,611.83	878,397.13	882,631.53
Net Position -- June 30	$ 1,029,447.19	$ 893,948.77	$ 891,903.91	$ 968,611.83	$ 878,397.13

(1) Source: School District Reports of Audit

GENERAL INFORMATION REGARDING THE TOWNSHIP

History

The Township of Pennsauken, County of Camden, New Jersey ("Township"), was incorporated in 1892 by virtue of an act of the Legislature of the State of New Jersey ("State"). It is approximately twelve (12) square miles in area and lies adjacent to the City of Camden. Located in the Delaware Valley area, the Township has approximately two (2) miles of frontage along the Delaware River, directly across from the City of Philadelphia, on which many industrial plants are located.

The Township is a residential and industrial community. The residences are single-family residences and are mostly owner occupied. There are over one thousand apartment units in the Township. There are also a number of commercial enterprises.

The majority of residents are employed in the Camden County and Philadelphia areas. Major highways and improved roads provide convenient access to such areas. Public transportation is also readily available.

Local Government

The Township government is based on the Township Committee form of government, which exercises legislative power in the Township. The Township Committee members are elected on an at-large basis for staggered three-year terms. Two members are elected in each of two consecutive years while a single member is elected in the third year. The Mayor is appointed annually by a majority of the Township Committee.

The day-to-day administrative duties are the responsibility of the Township Administrator, who is appointed by the Township Committee.

The financial affairs of the Township are administered by its Chief Financial Officer, who reports to the Administrator. With the Township Administrator, the Chief Financial Officer prepares and then monitors the annual municipal budget after adoption by the Township Committee.

Library

The Pennsauken Free Library is located in a building near the Township's Municipal Building on Route 130 and Merchantville Avenue. It houses approximately 96,000 volumes and a varied collection of phonograph records, pamphlets and reproductions, microfilm and over 200 periodicals. The building is designed to accommodate handicapped residents who wish to use it. Meeting rooms are available for use by local organizations. Public access to the internet is made available through nine portals in a newly established computer section.

Police and Fire Protection

The Township's Police Department operates from the Township's Police and Municipal Court complex on Bethel Avenue and Route 130. The Police Department consists of the Police Chief, three Captains, two Lieutenants, ten Sergeants, five Detectives and fifty-six Patrolmen.

The Township has five fire companies, which are staffed by a volunteer force of approximately 95 members. There is a paid Fire Chief, one Fire Captain, three Fire Lieutenants and twelve paid firemen who maintain the stations and fire equipment. The Township also operates a Bureau of Fire Prevention consisting of one Fire Official and four part-time paid Fire Inspectors who make annual inspections to insure compliance with the State's Uniform Fire Protection Code.

Public Works

The Township employs a fully-staffed Public Works Department which cleans, repairs and maintains streets and public areas.

Golf Course Utility

In 1982, the Township acquired Iron Rock Golf Course, now called Pennsauken Country Club, which is operated by a municipal utility called the Golf Course Utility ("Utility").

The Utility is supported by revenues generated by its operations. A separate budget is established with anticipated revenues and appropriations set forth therein. This budget is required to be balanced and to fully provide for payment of debt service. The regulations which apply to the Current Fund of the Township regarding anticipation of revenue and deferral of charges apply equally to the budget of the Utility. Anticipated deficits in Utility operations are required to be raised in the Current Fund. The Utility was self-liquidating for the year ended December 31, 2017, in terms of revenues being sufficient to pay operating, maintenance and debt service expenditures.

Parks and Recreation

The Parks and Recreation Department has a full-time Recreation Program Coordinator and a full-time secretary who works with Public Works in a year-round program for the improvement and maintenance of parks, fields, and playgrounds for adults and children.

The facilities available are 22 playgrounds, 10 basketball courts, 22 ball fields, 3 soccer fields, 2 mini-soccer fields, 1 micro mini soccer field, 1 football field, 1 all purpose field, 3 swimming pools, 1 volley ball court, 6 horseshoe pits, 1 hockey rink, 3 mini hockey rinks, 11 tennis courts, 1 jogging track, 1 exercise unit and 140 acre Tippin's Pond/Heritage Park consisting of a bird sanctuary, boardwalk, natural amphitheater and fishing piers.

The Township and its local school district work together to provide recreational activities for the adults and children of the Township. Programs include year round volleyball and basketball, clinics in football, softball, tennis, hockey, soccer and baseball and programs for special needs children through the Pennsauken Committee for the Handicap/Special Education Division of the local school district and Pennsauken Youth Athletic Activities.

The Parks and Recreation Department also provides programs for Christmas and Halloween, along with an annual car show, craft show, parades and summer theater program.

Pennsauken Sewerage Authority

In 1950, the Township created, by ordinance, in accordance with State statutes, the Pennsauken Sewerage Authority ("Authority"), for the purpose of treating and disposing of the Township's sewage.

The governing body of the Authority is autonomous and consists of five members appointed by the Township Committee. The terms of the members of the Authority are staggered so that the term of at least one member expires each year.

A Service Contract was entered into on May 1, 1987 ("Service Contract"), between the Authority and the Township. Under the Service Contract, the Township agrees to pay any shortfall the Authority may encounter in making payments for either operating expenses and/or debt service. Should this occur, the Authority would be required to repay this amount to the Township, plus interest at 1% per year above the highest rate paid by the Authority on any outstanding bonds.

Presently, the Authority provides and charges for all connected customers within the municipal boundaries of the Township for the collection of sewage. The Authority has also contracted to collect all sewage discharged into the collection system maintained by Merchantville Borough and a certain portion of Cherry Hill Township. Sewage collected by the Authority from whatever source is then passed on to the Camden County Municipal Utilities Authority ("CCMUA") system. The CCMUA is, in turn, responsible for the treatment of all waste materials.

The following is a summary of the financial operations of the Authority for the last three years ended:

	December 31, 2017	December 31, 2016	December 31, 2015 (Restated)
Operating Revenues	$ 4,387,684	$ 4,371,426	$ 4,294,675
Operating Expenses	(4,309,673)	(4,557,118)	(4,163,265)
Operating Gain (Loss)	78,011	(185,693)	131,410
Net Non-Operating Income (Expenses)	(231,170)	(146,640)	(154,751)
Change in Net Position	(153,159)	(332,333)	(23,341)
Net Position - Beginning	1,654,697	1,987,030	2,156,591
Net Position - Ending, Prior to Restatement			2,133,250
Restatement			(146,220)
Net Position - Ending (Restated)	$ 1,501,538	$ 1,654,697	$ 1,987,030

Merchantville-Pennsauken Water Commission

The Merchantville-Pennsauken Water Commission ("Water Commission") was formed on July 1, 1926. The Water Commission consists of three members appointed by the Township and two members appointed by the Borough of Merchantville. Each member serves a term of five years.

The Commission is jointly owned by the Borough of Merchantville and the Township in the following percentages:

Borough of Merchantville	11.58%
Township of Pennsauken	88.42
	100.00%

The Township from time to time guarantees the payment of the principal of and interest on certain debt obligations of the Commission. Specifically, the unconditional guarantee by the Township is equal to the full extent of its ownership interest in the Commission, that being 88.42% of the amount of any default by the Commission on such obligations subject to the guaranty. As of June 30, 2017, the Township has provided its guaranty for $5,075,970 outstanding principal amount of the Commission's debt.

The operation of the Water Commission has been self-liquidating since its inception.

Customers of the Commission include residential and commercial accounts within the municipalities of Merchantville and Pennsauken and sections of Cherry Hill and Camden. In addition to the sale of water, the Commission bills commercial and municipal customers fixed fees for fire services and hydrants. As of December 31, 2016, the number of the Commission's accounts was as follows:

Residential, Apartments, and Commercial Water Services	13,427
Senior Citizen Accounts	366
Fire Services	339
Fire Hydrants	242
Total	14,374

Garbage District

The Township has contracted for the collection and disposal of solid waste by an independent contractor. In late 1978, the Township purchased 270 acres of land on which is situated a 175 acre sanitary landfill ("Sanitary Landfill") which had been in operation for a number of years. Approximately 15% of the cost of disposing the Township's solid waste was eliminated by the purchase of the Sanitary Landfill. Of the remaining 95 acres, 60 acres were developed as an industrial park known as the Veterans Industrial Park.

In January of 1979, the Township created, by ordinance, in accordance with State statutes, a Garbage District effective March 1, 1979, for the purpose of providing garbage and trash removal services. This enabled the Township to remove the cost of operating the Garbage District from the State mandated 5% limit on the annual Municipal Budget as established by the State Cap Law. This resulted in a separate tax rate of $.179 per $100 of assessed valuation in 2018. This separate rate merely sets aside, with no overall increase, that portion of the taxes which had or would have been included in the tax levied for local purposes.

Solid Waste Management Authority

In accordance with State statutes, the Township established the Pennsauken Solid Waste Management Authority ("PSWMA") in 1983. The express purpose of the PSWMA was to provide solid waste disposal services to the Township and certain other municipalities in the County at the Sanitary Landfill and to construct and put into operation a resource recovery facility.

In December 1988, the PSWMA entered into an Administrative Consent Order ("ACO") with the Department of Environmental Protection ("DEP"), whereby PSWMA agreed to investigate certain allegations of ground water contamination, at the Sanitary Landfill, to develop a remediation plan, and to take any and all remedial action which may be necessary to mitigate any contamination. Remedial investigations revealed elevated levels of pollutants. Engineers are presently preparing a feasibility study and ultimately will prepare a remedial action plan to be approved by the DEP, in compliance with the ACO. Upon approval of the remedial action plan by DEP, the ACO requires implementation of such plan. The cost of compliance with the ACO may be significant.

On October 31, 1991, the DEP, pursuant to the New Jersey Spill Compensation and Control Act, *N.J.S.A.* 58:10-23.11a *et seq.* issued a Directive and Notice to Insurers ("Directive") to PSWMA and twenty-one other respondents. The Directive identifies the respondents, including PSWMA, as responsible for contaminating certain water supply wells known as the Puchak Well Field owned and operated by the City of Camden. The Directive seeks to require the PSWMA and the other respondents to pay DEP the sum of $4,018,000 for construction of a water treatment system and to

make annual payments of $611,000 for operation and maintenance of the water treatment system at the site. In the event the total payment is not made in response to the Directive, the Directive states that each of the respondents, if ultimately held responsible, can face treble damages and penalties of up to $50,000 per day. On May 7, 1992, a Supplemental Directive and Notice to Insurers was issued to the aforementioned Puchak respondents increasing the potential liability from $4,018,000 to $8,655,000 plus the annual payments of $611,000. By letter of August 26, 1992, Cigna denied PSWMA coverage. On November 13, 1992, PSWMA filed a claim for said potential liability against the New Jersey Spill Fund. No determination has been made as to which, if any, of the respondents named in the Directive will make the demanded payment.

In 1991, pursuant to agreements among the Township, PSWMA, and the Pollution Control Financing Authority of Camden County ("PCFA"), the PCFA took over the operation of the Sanitary Landfill and acquired the assets and certain liabilities of PSWMA and agreed to make certain payments to the Township. Included within the liabilities assumed by the PCFA are the costs of compliance with the ACO and the Directive, as amended.

In December, 1991, PCFA, PSWMA, and the Township instituted suit against the former owner and users of the Sanitary Landfill to recoup costs imposed by the ACO and against potential responsible parties named by the DEP as responsible for contaminating certain water supply wells known as the Puchak Well Field to recover costs imposed by the DEP under the Directive. The suit, captioned *Pennsauken Solid Waste Management Authority et. al. v. Ward Sand and Materials et al.,* Docket Number L-013345-91, is presently pending in the Superior Court of New Jersey, Law Division, Camden County. Certain of the named defendants and third party defendants in that suit have counterclaimed for contribution against PSWMA and the Township, on the basis of their operation and/or ownership of the Sanitary Landfill, or as a user or generator.

The PCFA has assumed any and all past and future obligations arising from the ownership and operation of the Sanitary Landfill by PSWMA and the Township, but has not assumed any potential liability of the Township as a waste generator. The PSWMA and the Township's insurance carrier has undertaken the defense of the PSWMA and the Township under a reservation of rights for the claim that the PSWMA and the Township contributed to the contamination. A court could ultimately rule that the claim made against the PSWMA and the Township are outside the scope of its coverage or exceed its coverage amounts. The cost of the ultimate cleanup could be substantial and may have a material and adverse effect on the PSWMA and the Township. The responsibility, if any, of the PSWMA and Township has not been determined at this time.

Township Population(1)

2010 Federal Census	35,885
2000 Federal Census	35,737
1990 Federal Census	34,738
1980 Federal Census	33,775
1970 Federal Census	36,394

Selected Census 2016 Data for the Township(1)

Median household income	$63,980
Median family income	$73,597
Per capita income	$27,026

(1) Source: U.S. Department of Commerce, Bureau of Census

Building, Zoning and Development Codes

The Township has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building.

The Township's building codes conform to standards of the Uniform Construction Code of New Jersey. These codes and other Municipal Codes are codified as a basis for improved administration and regulation.

In January, 1977, the Township adopted the Municipal Land Use Law. The Municipal Land Use Law gave the Township Planning Board and the Township Zoning Board of Adjustment authority to regulate most land use other than single family residential use. In this way, the Township is able to guide the approximate use or development of land to promote the public health, safety, and general welfare.

Business and Industry

Industrial operations in the Township cover a broad spectrum of activities, including warehousing, light manufacturing from raw materials, assembly operations, transportation and a limited number of heavy industrial uses such as metal and aluminum extruding and oil and gasoline storage facilities.

The Township has created two redevelopment zones. One encompasses waterfront properties with more than 700 acres of underused industrial property. The Township is uniquely situated on an urban waterfront which mirrors a growing international trend. Communities across the country and around the world are rediscovering and capitalizing on the potential of urban waterfronts. The Township is in the process of investigating interested parties to oversee the entire redevelopment process in this unique environment. In addition, substantial studies, planning and testing have already been conducted to facilitate the redevelopment effort. Moreover, the New Jersey Department of Environmental Protection and the Township have executed a Brownfield's Development Area Initiative Memorandum of Understanding to promote environmental protection for the waterfront development area and to foster neighborhood revitalization.

The other redevelopment zone is located along the Route 73 corridor, an area beginning close to the Tacony-Palmyra Bridge and continuing into the southern end of the Borough of Cinnaminson, known as the "Crossroads Redevelopment Area". The Camden County Improvement Authority ("CCIA"), the governmental economic development agency of Camden County, found the Crossroads Redevelopment Area to be an attractive location for residential and retail redevelopment activities. Specifically, to facilitate redevelopment of the Crossroads Redevelopment Area, the CCIA applied for and received a grant from the Casino Reinvestment Development Authority and was designated by the Township as the redevelopment authority for a portion of the Crossroads Redevelopment Area by Ordinance 02-43 duly adopted after public hearing on December 30, 2002. Site clearance, preparation and environmental studies and remediation have been completed and the CCIA has sold the property to DELCO Development, LLC, a qualified nationally recognized multi-family developer. DELCO has begun the redevelopment of 27 acres of the 35 acre Crossroads Redevelopment Area, a project named Haddon Pointe, that includes the construction of 189 Townhouses, 9 residential apartment buildings comprising a total of 240 units, a club house and other related site improvements. The aforementioned improvements are scheduled to be completed in phases over a term of approximately three years with the first five apartment buildings scheduled for Fall 2018 opening.

Industries in the Township are concentrated primarily in twelve industrial parks. These industrial parks have convenient access to rail lines, deep water transportation and highways and are in close proximity to the Philadelphia metropolitan market via three bridges located on the perimeter of the Township.

Commercial and industrial tax assessments represented 32.97% of the total assessed valuation of the Township in 2018.

Building Permits (1)

Year	Number of Permits Issued	Value of Construction
2018(2)	1,025	$15,925,425
2017	2,584	65,169,797
2016	2,311	27,530,632
2015	2,107	35,176,064
2014	1,820	46,248,764
2013	1,761	21,158,431

Labor Force(3)

Year	Labor Force	Employed Persons	Unemployed Persons	Unemployment Rate
Township				
2017	18,788	17,849	939	5.0%
2016	18,725	17,711	1,014	5.4
2015	18,500	17,400	1,200	6.4
2014	18,595	17,203	1,392	7.5
2013	17,753	15,984	1,769	10.0
County				
2017	256,929	243,835	13,094	5.1%
2016	256,005	241,947	14,058	5.5
2015	255,400	239,300	16,000	6.3
2014	255,560	236,391	19,169	7.5
2013	261,960	238,251	23,709	9.1
State				
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,530,800	4,305,500	225,300	5.0
2015	4,543,800	4,288,800	255,000	5.6
2014	4,518,700	4,218,400	300,300	6.6
2013	4,537,800	4,166,000	371,800	8.2

(1) Source: Township Construction official
(2) As of May 15, 2018
(3) Source: New Jersey Department of Labor
(4) Source: Township officials

TEN LARGEST NON-GOVERNMENTAL EMPLOYERS(4)

Employer	Nature of Business	Number of Employees
Pepsi/Beverage Dist Ctr.	Beverages	650
Bayada	Home Healthcare Services	582
Aluminum Shapes, Inc.	Aluminum Extrusion/Sales	446
J & J Snacks	Snack Foods	435
Puratos Corporation	Food Production	332
Helvoet Pharma	Pharmaceutical Manufacturing	308
Disc Makers	Audio Disc & Tapes	300
Simmons Pet Foods, Inc.	Pet Foods Production	240
Holman/RMP	Automotive	230
Simmons Pet Foods, Inc.	Pet Foods Production	223

CERTAIN TAX INFORMATION
TEN LARGEST TAXPAYERS (1)

Name of Taxpayer	Nature of Business	2018 Assessed Valuation
Bloom Organization of South Jersey	Real Estate	$61,746,000
Buckeye Pennsauken Terminal LLC	Oil Products-Wholesale	22,523,900
Lockbourne Manor LLC	Apartments	13,583,000
Delair Aluminum LLC	Manufactures Aluminum Products	11,477,200
Menu Foods Inc.	Pet Foods Production	10,643,600
Sauken Associates LP	Retail/Office Space	9,855,400
Cooper RPA LLC	Apartments	8,670,300
Beverage Distribution Center Inc.	Soft Drinks Manufacturer	8,163,400
Pennsauken Senior Living, LLC	Senior Housing	8,085,300
Union River Realty Company, Inc.	Commercial	7,494,000

CURRENT TAX COLLECTIONS (2)

		Collected in Year of Levy		Outstanding Dec. 31	
Year	Total Levy	Amount	Percentage	Amount	Percentage
2017(3)	$89,210,383	$86,837,597	97.34%	$2,200,453	2.47%
2016	87,601,004	85,279,951	97.35	2,071,343	2.36
2015	86,368,350	83,848,803	97.08	2,234,911	2.59
2014	84,949,379	82,511,022	97.13	2,170,050	2.55
2013	83,839,123	81,526,377	97.24	2,056,712	2.45

(1) Source: Township Assessor
(2) Source: Annual Reports of Audit, unless otherwise noted
(3) Source: Information from Annual Compiled Financial Statement

DELINQUENT TAXES (1)

Year	Outstanding Jan. 1	Added	Collected Amount	Collected Percentage	Transferred To Liens	Other Credits	Outstanding Dec. 31
2017(2)	$2,122,541	$36,993	$2,119,655	98.15%	---	$5,904	$33,975
2016	2,308,964	30,731	2,218,825	94.83	$68,981	691	51,198
2015	2,253,848	28,791	2,124,719	93.08	75,732	8,135	74,053
2014	2,131,768	40,780	2,055,443	94.61	19,299	14,009	83,799
2013	2,858,719	30,750	2,680,687	92.77	35,236	98,490	75,056

TAX TITLE LIENS (1)

Year	Balance Jan. 1	Added by Sales and Transfers	Collected	Canceled	Decreased by Transfers	Dec. 31
2017(2)	$805,607	$114,614	$211,579	$9,483	---	$699,159
2016	567,713	250,231	12,337	---	---	805,607
2015	424,527	186,124	42,938	---	---	567,713
2014	350,655	117,929	44,057	---	---	424,527
2013	266,875	121,435	37,655	---	---	350,655

FORECLOSED PROPERTY(1)(3)

Year	Balance Jan. 1	Added By Transfer	Adjustment to Assessed Valuation	Gain/Loss on Sale	Cash	Balance Dec. 31
2017(2)	$2,550,800	---	---	---	---	$2,550,800
2016	2,550,800	---	---	---	---	2,550,800
2015	2,550,800	---	---	---	---	2,550,800
2014	2,550,800	---	---	---	---	2,550,800
2013	2,550,800	---	---	---	---	2,550,800

(1) Source: Annual Reports of Audit, unless otherwise noted
(2) Source: Information from Annual Compiled Financial Statement
(3) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (1)

Year	Net Valuation Taxable	Tax Rate (2) Total	County	Local School	Garbage District	Municipal
2018	$2,345,603,985	N/A	N/A	N/A	N/A	N/A
2017	2,350,051,566	$3.793	$.902	$1.744	$.176	$.971
2016	2,346,443,560	3.725	.880	1.697	.173	.975
2015(4)	2,345,766,571	3.658	.865	1.644	.170	.979
2014	1,525,323,350	5.562	1.324	2.471	.262	1.505
2013	1,526,448,279	5.488	1.258	2.447	.272	1.511

RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA(3)

Year	Real Property Assessed Valuation	Percentage of True Value	True Value	True Value per Capita(6)
2018	$2,341,534,200	98.53%	$2,376,468,284	$66,225
2017	2,346,080,900	94.36	2,486,308,711	69,285
2016	2,342,541,900	96.05	2,438,877,564	67,964
2015 (4)	2,341,727,900	96.79	2,419,390,330	67,421
2014	1,523,294,400	61.42	2,480,127,646	69,113

REAL PROPERTY CLASSIFICATION (7)

Year	Assessed Value Land and Improvements	Vacant Land	Residential	Commercial	Industrial	Apartment
2018	$2,341,534,200	$29,169,300	$1,540,368,000	$537,847,900	$194,547,900	$39,601,100
2017	2,346,080,900	27,286,700	1,539,397,100	554,549,700	185,246,300	39,601,100
2016	2,342,541,900	24,260,500	1,540,472,200	559,006,900	179,253,200	39,549,100
2015 (4)	2,341,727,900	24,869,000	1,542,080,900	574,671,000	160,468,300	39,638,700
2014	1,523,294,400	15,861,900	996,054,700	380,295,100	108,444,900	22,637,800

(1) Source: Township Tax Collector
(2) Per $100 of assessed valuation
(3) Source: State of New Jersey, Department of Treasury, Division of Taxation
(4) Revaluation
(5) Preliminary percentage
(6) Based on Federal Census 2010 of 35,885
(7) Source: Township Tax Assessor

TOWNSHIP OF PENNSAUKEN
STATEMENT OF INDEBTEDNESS (1)

The following table summarizes the direct debt of the Township of Pennsauken as of December 31, 2017 in accordance with the requirements of the Local Bond Law of the State of New Jersey (*N.J.S.A*. 40A:2-2- *et.seq*.). The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Golf Course Utility, Water Utility and debt of the Township of Pennsauken School District. Deductions from gross debt to arrive at net debt include deductible school debt, as well as, debt considered to be self-liquidating. The resulting net debt of $29,425,415 represents 1.209% of the average of equalized valuations for the Township for the last three years, which is within the 3.5% limit imposed by *N.J.S.A.* 40A:2-6.

	Debt Issued		Authorized But Not	Gross	Deductions		Net
	Bonds/Loans	Notes	Issued	Debt	School Debt	Self-Liquidating Debt	Debt
General	$26,581,465	$2,515,000	$328,950	$29,425,415			$29,425,415
School--Local	7,065,000			7,065,000	$7,065,000		
Golf Course Utility	1,368,535			1,368,535		$1,368,535	
Merchantville-Pennsauken Water Utility	4,622,938			4,622,938		4,622,938	
	$39,637,938	$2,515,000	$328,950	$42,481,888	$7,065,000	$5,991,473	$29,425,415

(1) As of December 31, 2017

DEBT RATIOS AND VALUATIONS(1)(2)

Average of Equalized Valuations of Real Property with Improvements and Second Class Railroad Property for 2015, 2016 and 2017	$2,433,890,362
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	1.21%
2018 Net Valuation Taxable	$2,345,603,985
2018 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	$2,380,538,069
Gross Debt (3):	
As a percentage of 2018 Net Valuation Taxable	1.81%
As a percentage of 2018 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.78%
Net Debt (3):	
As a percentage of 2018 Net Valuation Taxable	1.25%
As a percentage of 2018 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.24%
Gross Debt Per Capita (4)	$1,184
Net Debt Per Capita (4)	$820

TOWNSHIP BORROWING CAPACITY(1)(2)

3.5% of Averaged (2015-17) Equalized Valuation of Real Property including Improvements ($2,433,890,362)	$85,186,163
Net Debt	29,425,415
Remaining Borrowing Capacity	$55,760,748

SCHOOL DISTRICT BORROWING CAPACITY(1)(2)

4% of Averaged (2015-17) Equalized Valuation of Real Property including Improvements ($2,433,890,362)	$97,355,614
School District Debt	7,065,000
Remaining Borrowing Capacity	$90,290,614

(1) As of December 31, 2017
(2) Source: Township Auditor
(3) Excluding overlapping debt
(4) Based on 2010 Federal Census of 35,885

TOWNSHIP OF PENNSAUKEN
OVERLAPPING DEBT AS OF DECEMBER 31, 2017

	DEBT ISSUED								
	Debt Outstanding	Deductions		Statutory Net Debt Outstanding		Net Debt Outstanding Allocated to the Issuer		Debt Auth. but not Issued
County of Camden(1):								
General:								
Bonds	$ 36,125,000	$ 8,342,385	(2)	$ 27,782,615		$ 1,855,879	(4)	$ 11,960,225
Notes	35,461,125			35,461,125		2,368,803	(4)	
Loan Agreements	314,966,900			314,966,900		21,039,789	(4)	
Bonds Issued by Other Public Bodies Guaranteed by the County	276,594,254	276,594,254	(3)	-				
Pennsauken Sewerage Authority	537,436			537,436		537,436		
	$ 663,684,714	$ 284,936,639		$ 378,748,075		$ 25,801,906		$ 11,960,225

(1) Source: County of Camden.
(2) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds.
(3) Deductible in accordance with N.J.S. 40:37A-80.
(4) Such debt is allocated as a proportion of the Issuer's share of the total 2017 Net Valuation on which County taxes are apportioned, which is 6.68%.

Camden County Municipal Utilities Authority

The Camden County Municipal Utilities Authority ("CCMUA") is a public body corporate and politic of the State and was originally created as the Camden County Sewerage Authority ("Sewerage Authority") by a resolution of the County adopted on December 5, 1967. The Sewerage Authority was reorganized in 1972 as a utilities authority and changed its name to the Camden County Municipal Utilities Authority pursuant to a resolution of the County adopted on April 13, 1972. The CCMUA operates under the supervision of nine commissioners who are appointed by the Board for five-year staggered terms. The County has entered into a deficiency agreement with the CCMUA ("Deficiency Agreement") whereby the County is obligated to pay to the CCMUA any annual charges equal to any deficits in CCMUA revenues necessary to pay or provide for: (i) operation and maintenance expenses of the CCMUA's regional sewer system, (ii) principal and interest payments on bonds and notes of the CCMUA in an aggregate principal amount not to exceed $685,500,000, and (iii) the maintenance of reserves required under the bond resolution securing the CCMUA's bonds and notes. The obligation of the County pursuant to the provisions of the Deficiency Agreement is a direct and general obligation of the County, and any annual charges are ultimately payable by the County from the levy of *ad valorem* taxes on all the taxable real property within the jurisdiction of the County in amounts sufficient to enable the County to meet its obligations under the Deficiency Agreement. ***To date, no payments have been required to be made by the County pursuant to the Deficiency Agreement***. The County and the CCMUA may agree to amend the Deficiency Agreement at any time to increase the obligations of the County thereunder.

The CCMUA owns and operates a sewage collection and treatment system which serves all County residents connected to local sewer collection systems. The CCMUA's system does not include the local sewage collection system of any CCMUA participant, but it owns and operates interceptor sewer lines connecting the local systems to the CCMUA's sewage treatment facilities.

The CCMUA is required to charge and collect service charges for the use of its facilities such that revenues of the CCMUA will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay punctually the principal of and interest on any bonds and notes of the CCMUA and to maintain reserves and sinking funds therefor as may be required by the terms of any agreements with the holders thereof.

The gross debt as of December 31, 2017 for the CCMUA was $171,431,116. The County guarantees up to $685,500,000 of debt issued by the CCMUA.

Camden County Improvement Authority

The Camden County Improvement Authority ("CCIA") is a public body corporate and politic of the State and was created by a resolution of the County Board. The CCIA operates under the supervision of a five (5) member Board who are appointed for five (5) year staggered terms by the County Board. The CCIA has from time to time issued its revenue bonds for projects involving the County and for which the County has a repayment obligation or guaranty. The CCIA also issues conduit debt from time to time which is not included in the overlapping debt as there is no obligation by the taxpayers to repay the associated debt service.

The amount of debt which the County has guaranteed or for which it has a repayment obligation as of December 31, 2017 was $432,082,097.

PENNSAUKEN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF DEBT SERVICE(1)
BONDED DEBT ONLY

Year	Principal	Interest	Total
2018-19	$ 3,565,000	$ 142,600	$ 3,707,600
Total	$ 3,565,000	$ 142,600	$ 3,707,600

(1) As of April 30, 2018

APPENDIX B

FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN, IN THE COUNTY OF CAMDEN, NEW JERSEY

FISCAL YEAR 2017

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Township of Pennsauken
County of Camden
Pennsauken, New Jersey 08110

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Pennsauken School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the Township of Pennsauken School District, in the County of Camden, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of the School District's contributions, and schedule of funding progress for health benefits plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Pennsauken School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the Fiscal year ended June 30, 2017, includes certain required supplementary information, and other information that is not included with this presentation of the basic financial statements.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Daniel M DiGangi

Daniel M. DiGangi
Certified Public Accountant
Public School Accountant No. CS 002376

Voorhees, New Jersey
December 1, 2017

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 22,934,061.76	$ 884,883.70	$ 23,818,945.46
Receivables, net		111,467.44	111,467.44
Inventory	160,032.78	45,914.43	205,947.21
Restricted Cash and Cash Equivalents	5,759,278.36		5,759,278.36
Capital Assets, net (Note 6)	48,948,050.47	354,304.74	49,302,355.21
Total Assets	77,801,423.37	1,396,570.31	79,197,993.68
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	11,561,658.00		11,561,658.00
Deferred Loss on Refunding	372,931.94		372,931.94
Total Deferred Outflows	11,934,589.94	-	11,934,589.94
LIABILITIES:			
Accounts Payable:			
Related to Pensions	1,237,239.00		1,237,239.00
Other	2,289,832.01	16,772.33	2,306,604.34
Internal Balances	(282,189.39)	282,189.39	
Accrued Interest	185,448.41		185,448.41
Unearned Revenue	10,515.58	24,792.96	35,308.54
Noncurrent Liabilities (Note 7):			
Due within One Year	4,278,612.09	8,673.69	4,287,285.78
Due beyond One Year	52,673,214.37	34,694.75	52,707,909.12
Total Liabilities	60,392,672.07	367,123.12	60,759,795.19
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	891,907.00	-	891,907.00
NET POSITION:			
Net Investment in Capital Assets	35,170,017.39	354,304.74	35,524,322.13
Restricted for:			
Endowment Fund	8,196.27		8,196.27
Capital Projects	9,392,772.73		9,392,772.73
Other Purposes	19,512,018.12		19,512,018.12
Unrestricted (Deficit)	(34,259,383.97)	675,142.45	(33,584,241.52)
Total Net Position	$ 29,823,620.54	$ 1,029,447.19	$ 30,853,067.73

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
Instruction:							
Regular	$ 22,771,676.81	$ 348,108.85			$ (22,423,567.96)		$ (22,423,567.96)
Special Education	9,575,467.37	141,678.01	$ 2,330,359.68		(7,103,429.68)		(7,103,429.68)
Other Special Instruction	1,342,823.68				(1,342,823.68)		(1,342,823.68)
Other Instruction	1,330,115.73				(1,330,115.73)		(1,330,115.73)
Tuition	10,267,822.57		1,603,987.00		(8,663,835.57)		(8,663,835.57)
Support Services:							
Student and Instruction Related Services	8,197,632.13		422,204.13		(7,775,428.00)		(7,775,428.00)
School Administrative Services	2,738,953.35				(2,738,953.35)		(2,738,953.35)
Other Administrative Services	2,474,180.42				(2,474,180.42)		(2,474,180.42)
Plant Operations and Maintenance	8,671,102.79				(8,671,102.79)		(8,671,102.79)
Pupil Transportation	5,437,486.65				(5,437,486.65)		(5,437,486.65)
Unallocated Benefits	39,182,267.13		20,508,770.00		(18,673,497.13)		(18,673,497.13)
Reimbursed TPAF and Social Security	5,636,389.56		5,636,389.56				
Transfer to Charter School	3,725,444.00				(3,725,444.00)		(3,725,444.00)
Interest on Long-Term Debt	484,135.76		151,122.80		(333,012.96)		(333,012.96)
Total Governmental Activities	121,835,497.95	489,786.86	30,652,833.17	-	(90,692,877.92)	-	(90,692,877.92)
Business-Type Activities:							
Food Service	2,975,061.49	715,768.62	2,392,174.07	-	-	$ 132,881.20	132,881.20
Total Government	$ 124,810,559.44	$ 1,205,555.48	$ 33,045,007.24	-	(90,692,877.92)	132,881.20	(90,559,996.72)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					38,479,786.00		38,479,786.00
Taxes Levied for Debt Service					1,765,092.00		1,765,092.00
Federal and State Aid Not Restricted					49,710,702.62		49,710,702.62
Federal and State Aid Restricted					1,593,280.25		1,593,280.25
Miscellaneous Income					838,914.48	2,617.22	841,531.70
Total General Revenues					92,387,775.35	2,617.22	92,390,392.57
Change in Net Position					1,694,897.43	135,498.42	1,830,395.85
Net Position -- July 1					28,128,723.11	893,948.77	29,022,671.88
Net Position -- June 30					$ 29,823,620.54	$ 1,029,447.19	$ 30,853,067.73

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	$ 22,934,061.76	$ 111,695.57	$ 5,640,290.02	$ 0.33	$ 7,292.44	$ 28,693,340.12
Receivables, net:						
Interfunds Receivable:						
Enterprise Fund	282,189.39					282,189.39
Payroll Fund	149,607.17					149,607.17
Unemployment Compensation Trust Fund	83,308.39					83,308.39
General Fund					57.24	57.24
Capital Projects Fund	12,903.05					12,903.05
Student Activity Fund					846.59	846.59
Receivables from Other Governments:						
State of New Jersey	852,318.03	6,166.00				858,484.03
Federal		14,007.32				14,007.32
Other Receivables	265,932.80					265,932.80
Inventory	160,032.78					160,032.78
Total Assets	$ 24,740,353.37	$ 131,868.89	$ 5,640,290.02	$ 0.33	$ 8,196.27	$ 30,520,708.88
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	$ 1,723,417.93	$ 88,842.08				1,812,260.01
Interfunds Payable:						
General Fund			$ 12,903.05			12,903.05
Permanent Fund	57.24					57.24
Workers Compensation Claims	380,841.00					380,841.00
Payable to State Government		86,075.00				86,075.00
Security Deposit Payable	10,656.00					10,656.00
Unearned Revenue	2,121.81	8,393.77				10,515.58
Total Liabilities	2,117,093.98	183,310.85	12,903.05	-	-	2,313,307.88
Fund Balances:						
Nonspendable Fund Balance:						
Reserve for Supplies Inventory	160,032.78					160,032.78
Permanent					$ 8,000.00	8,000.00
Restricted:						
Capital Reserve	1,481,443.76					1,481,443.76
Capital Reserve -- Designated for Subsequent Year's Expenditures	2,283,942.00					2,283,942.00
Emergency Reserve	438,246.61					438,246.61
Maintenance Reserve	1,754,108.05					1,754,108.05
Excess Surplus	7,703,267.39					7,703,267.39
Excess Surplus -- Designated for Subsequent Year's Expenditures	8,666,587.83					8,666,587.83
Capital Projects			5,627,386.97			5,627,386.97
Debt Service				$ 0.33		0.33
Capital Outlay Legally Restricted	949,808.24					949,808.24
Other Purposes					196.27	196.27
Assigned:						
Subsequent Year's Expenditures	1,174,459.17					1,174,459.17
SEMI Cost Settlement 7/1/13 - 6/30/14 -- Designated for Subsequent Year's Expenditures	82,715.47					82,715.47
Unassigned (Deficit)	(2,071,351.91)	(51,441.96)				(2,122,793.87)
Total Fund Balances (Deficit)	22,623,259.39	(51,441.96)	5,627,386.97	0.33	8,196.27	28,207,401.00
Total Liabilities and Fund Balances	$ 24,740,353.37	$ 131,868.89	$ 5,640,290.02	$ 0.33	$ 8,196.27	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $94,200,888.47 and the accumulated depreciation is $45,252,838.00.	48,948,050.47
Deferred loss on refundings are not financial resources and therefore are not reported in the funds.	372,931.94
Interest on long term debt is accrued on the Statement of Net Position regardless when due.	(185,448.41)
Accounts Payable related to the April 1, 2018 Required PERS pension contribution that is not to be liquidated with current financial resources.	(1,237,239.00)
Deferred Outflows of Resources - Related to Pensions	11,561,658.00
Deferred Inflows of Resources - Related to Pensions	(891,907.00)
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(56,951,826.46)
Net Position of Governmental Activities	$ 29,823,620.54

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Local Tax Levy	$ 38,479,786.00			$ 1,765,092.00		$ 40,244,878.00
Tuition	489,786.86					489,786.86
Miscellaneous	838,898.66				$ 15.82	838,914.48
Other Local Revenue		$ 1,106.23				1,106.23
State Sources	58,758,220.56	1,287,586.26	$ 347,999.05	1,358,941.00		61,752,746.87
Federal Sources	340,481.62	3,714,271.32				4,054,752.94
Total Revenues	98,907,173.70	5,002,963.81	347,999.05	3,124,033.00	15.82	107,382,185.38
EXPENDITURES:						
Regular Instruction	22,154,633.46					22,154,633.46
Special Education Instruction	6,686,430.43	2,330,359.68				9,016,790.11
Other Special Instruction	1,342,823.68					1,342,823.68
Other Instruction	1,330,115.73					1,330,115.73
Tuition	8,663,835.57	1,603,987.00				10,267,822.57
Support Services and Undistributed Costs:						
Student and Instruction Related Services	7,504,803.00	422,204.13				7,927,007.13
School Administrative Services	2,715,143.35					2,715,143.35
Other Administrative Services	2,222,950.92					2,222,950.92
Plant Operations and Maintenance	7,296,619.45					7,296,619.45
Pupil Transportation	5,161,320.66					5,161,320.66
Unallocated Benefits	15,998,580.13	608,950.00				16,607,530.13
Reimbursed TPAF Pension, Medical and Social Security	9,387,999.56					9,387,999.56
Transfer to Charter Schools	3,725,444.00					3,725,444.00
Debt Service:						
Principal				3,320,000.00		3,320,000.00
Interest and Other Charges				415,400.00		415,400.00
Capital Outlay	1,171,854.36	41,500.00	1,405,612.08			2,618,966.44
Total Expenditures	95,362,554.30	5,007,000.81	1,405,612.08	3,735,400.00	-	105,510,567.19
Excess (Deficiency) of Revenues over Expenditures	3,544,619.40	(4,037.00)	(1,057,613.03)	(611,367.00)	15.82	1,871,618.19
OTHER FINANCING SOURCES (USES):						
Proceeds from Lease Purchase			6,685,000.00			6,685,000.00
Operating Transfer -- Capital Projects Fund to Capital Reserve	240,000.00		(240,000.00)			
Operating Transfer -- Capital Projects Fund to Capital Outlay	475,000.00		(475,000.00)			
Operating Transfer -- Capital Reserve to Debt Service Fund	(450,000.00)			450,000.00		
Total Other Financing Sources and Uses	265,000.00	-	5,970,000.00	450,000.00	-	6,685,000.00
Net Change in Fund Balances	3,809,619.40	(4,037.00)	4,912,386.97	(161,367.00)	15.82	8,556,618.19
Fund Balance (Deficit) -- July 1	18,813,639.99	(47,404.96)	715,000.00	161,367.33	8,180.45	19,650,782.81
Fund Balance (Deficit) -- June 30	$ 22,623,259.39	$ (51,441.96)	$ 5,627,386.97	$ 0.33	$ 8,196.27	$ 28,207,401.00

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds		$ 8,556,618.19
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	$ (3,200,340.14)	
Capital Outlays	2,618,966.44	
		(581,373.70)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		3,320,000.00
Proceeds from capital leases is a revenue in the governmental funds, but increases the long-term liabilities in the statement of Net Position and is not reported in the statement of activities.		(6,685,000.00)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of the long-term debt related items.		
Amortization of Loss on Refunding Bonds		(186,465.97)
Amortization of Bond Premiums		200,482.51
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a reduction in the reconciliation. (-)		(82,752.30)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-);when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		(171,694.30)
In the statement of activities, post employment benefits other than pension are accrued regardless of when due. This accrued liability is not recorded In the governmental funds. The increase in accrued liability is an reduction in the reconciliation. (-)		(369,817.00)
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which the School District's pension contributions exceeded pension benefits earned in the current period.		(2,305,100.00)
Change in Net Position of Governmental Activities		$ 1,694,897.43

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Proprietary Fund
Business Type Activities - Enterprise Fund
Statement of Net Position
June 30, 2017

	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 884,883.70
Accounts Receivable:	
State	1,266.63
Federal	106,056.83
Other	4,143.98
Inventories	45,914.43
Total Current Assets	1,042,265.57
Noncurrent Assets:	
Capital Assets:	
Equipment	1,693,976.33
Less Accumulated Depreciation	(1,339,671.59)
Total Noncurrent Assets	354,304.74
Total Assets	1,396,570.31
LIABILITIES:	
Current Liabilities:	
Interfund Accounts Payable:	
Due General Fund	282,189.39
Accounts Payable	16,772.33
Unearned Revenue	24,792.96
Compensated Absences Payable	8,673.69
Total Current Liabilities	332,428.37
Noncurrent Liabilities:	
Compensated Absences Payable	34,694.75
Total Liabilities	367,123.12
NET POSITION:	
Net Investment in Capital Assets	354,304.74
Unrestricted	675,142.45
Total Net Position	$ 1,029,447.19

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Proprietary Fund
Business Type Activities - Enterprise Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2017

	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
School Lunch Program	$ 381,332.80
School Breakfast Program	28,785.11
Special Milk Program	3,638.40
Daily Sales - Non-Reimbursable Programs	269,904.07
Miscellaneous	15,134.49
Special Functions	16,973.75
Total Operating Revenues	715,768.62
OPERATING EXPENSES:	
Salaries	828,229.14
Employee Benefits	572,083.11
General Supplies	94,984.80
Other Purchased Services	44,780.43
Depreciation	49,017.66
Utilities	114,689.93
Cost of Sales - Reimbursable Programs	1,147,104.27
Cost of Sales - Non-Reimbursable Programs	123,466.93
Miscellaneous	705.22
Total Operating Expenses	2,975,061.49
Operating Income / (Loss)	(2,259,292.87)
NONOPERATING REVENUES (EXPENSES):	
State Sources:	
State School Lunch Program	32,893.52
Federal Sources:	
National School Lunch Program	1,554,873.98
National School Breakfast Program	565,153.64
Special Milk Program	3,566.27
Food Distribution Program	183,829.59
Fresh Fruit and Vegetable Program	51,857.07
Interest Revenue	2,617.22
Total Nonoperating Revenues (Expenses)	2,394,791.29
Change in Net Position	135,498.42
Net Position -- July 1	893,948.77
Net Position -- June 30	$ 1,029,447.19

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Proprietary Fund
Business Type Activities - Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	$ 731,104.30
Payments to Employees	(827,242.53)
Payments for Employee Benefits	(572,083.11)
Payments for Supplies and Services	(1,545,628.62)
Net Cash Provided by (used for) Operating Activities	(2,213,849.96)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State Sources	37,119.90
Federal Sources	2,625,863.93
Operating Subsidies and Transfers	(298,254.63)
Net Cash Provided by (used for) Non-Capital Financing Activities	2,364,729.20
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of Capital Assets	(17,615.00)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Revenue	2,617.22
Net Increase (Decrease) in Cash and Cash Equivalents	135,881.46
Cash and Cash Equivalents -- July 1	749,002.24
Cash and Equivalents -- June 30	$ 884,883.70
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (2,259,292.87)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation	49,017.66
(Increase) Decrease in Inventories	(3,371.92)
Increase (Decrease) in Accounts Payable	(18,525.12)
Increase (Decrease) in Unearned Revenue	6,258.60
Increase (Decrease) in Accrued Salary Benefits	986.61
(Increase) Decrease in Accounts Receivable	11,077.08
Total Adjustments	45,442.91
Net Cash Provided by (used for) Operating Activities	$ (2,213,849.96)

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2017

	Private Purpose Trust Funds		Agency Funds		
	Scholarship Trust	Unemployment Compensation Trust	Student Activity	Payroll	Total
ASSETS:					
Cash and Cash Equivalents	$ 30,898.05	$ 352,998.91	$ 209,680.55	$ 317,230.78	$ 910,808.29
Interfund Receivable:					
Due Agency Fund -- Payroll		99,465.32			99,465.32
Total Assets	30,898.05	452,464.23	$ 209,680.55	$ 317,230.78	1,010,273.61
LIABILITIES:					
Accounts Payable		7,819.67			7,819.67
Interfund Accounts Payable:					
Due Unemployment Fund				$ 99,465.32	99,465.32
Due Permanent Fund			$ 846.59		846.59
Due General Fund	970.00	82,338.39		149,607.17	232,915.56
Payable to Student Groups			208,833.96		208,833.96
Payroll Deductions and Withholdings				68,158.29	68,158.29
Total Liabilities	970.00	90,158.06	$ 209,680.55	$ 317,230.78	618,039.39
NET POSITION:					
Held in Trust for Unemployment Claims and Other Purposes	$ 29,928.05	$ 362,306.17			$ 392,234.22

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Funds		
	Scholarship Trust	Unemployment Compensation Trust	Total
ADDITIONS:			
Contributions and Donations from Payroll Deductions Withheld		$ 76,787.21	$ 76,787.21
Scholarship Donations	$ 14,065.15		14,065.15
Investment Earnings:			
Interest	83.98	1,015.83	1,099.81
Total Additions	14,149.13	77,803.04	91,952.17
DEDUCTIONS:			
Scholarship Awards	9,071.45		9,071.45
Unemployment Claims		105,090.78	105,090.78
Total Deductions	9,071.45	105,090.78	114,162.23
Change in Net Position	5,077.68	(27,287.74)	(22,210.06)
Net Position -- July 1	24,850.37	389,593.91	414,444.28
Net Position -- June 30	$ 29,928.05	$ 362,306.17	$ 392,234.22

The accompanying Notes to Financial Statements are an integral part of this statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Pennsauken School District (the "School District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades Pre-K through 12 at its eleven schools. The School District has an approximate enrollment at June 30, 2017 of 5,022.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control.

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units (Cont'd)

Based upon the application of these criteria, the School District has no component units.

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Camden County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

***General Fund* -** The general fund is the primary operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

***Special Revenue Fund* -** The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

***Capital Projects Fund* -** The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

***Debt Service Fund* -** The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

***Permanent Fund* -** The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs, that is, for the benefit of the School District or its students as a whole. The School District maintains a permanent fund for the purpose of scholarships.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary fund:

Enterprise Funds

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds:

Scholarship Fund - Revenues consist of donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

New Jersey Unemployment Compensation Insurance Trust Fund - Revenues consist of contributions that have been included in the annual budget of the School District, employee payroll withholdings, and interest income. Expenditures represent claims incurred for unemployment.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1, exhibit C-2, and exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Encumbrances (Cont'd)

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements, government-wide financial statements and in the proprietary fund types is recorded as expenditures when consumed rather than when purchased.

Tuition Receivable

Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2017. The School District had no prepaid expenses for the fiscal year ended June 30, 2017.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The School District's capitalization threshold is $2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	10 to 20 Years	N/A
Buildings and Improvements	10 to 50 Years	N/A
Equipment	5 to 20 Years	5 to 12 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Outflows and Deferred Inflows of Resources (Cont'd)

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

In addition, the School District reports the following as deferred outflows of resources:

Loss on Refunding of Debt - The loss on refunding arose from the issuance of refunding bonds, which is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2017 and 2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Accrued Salaries and Wages

Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2017, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The School District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), and additions to/deductions from TPAF's and PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond Discounts / Premiums

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts / premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position and on the proprietary fund statement of net position.

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

***Net Investment in Capital Assets* -** This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

***Restricted* -** Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

***Unrestricted* -** Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

***Nonspendable* -** The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

***Restricted* -** The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

***Committed* -** The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

***Assigned* -** The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Education.

***Unassigned* -** The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The School District implemented the following GASB Statements for the fiscal year ended June 30, 2017:

Statement No. 77, *Tax Abatement Disclosures*. This Statement provides financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The adoption of this Statement required the School District to disclose certain information related to tax abatement programs (see note 22).

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement did not have a significant impact on the basic financial statements of the School District.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements that will become effective for the School District for the fiscal year ending June 30, 2018:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has determined that this Statement will have an impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of June 30, 2017, the School District's bank balances of $30,967,467.44 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	$	30,394,024.09
Uninsured and uncollateralized		573,443.35
	$	30,967,467.44

New Jersey Cash Management Fund - During the fiscal year, the School District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2017, the School District's deposits with the New Jersey Cash Management Fund were $471,396.42.

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of $1,000.00 on September 28, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Note 3: CAPITAL RESERVE ACCOUNT (CONT'D)

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016		$ 2,532,756.97
Increased by:		
Interest Earnings	$ 2,989.44	
Local Portion of Capital Outlay Canceled	1,169,639.35	
Budgeted Increase in Capital Reserve	450,000.00	
Transfer from Capital Projects Fund	240,000.00	
Transfer per June 20, 2017 Resolution	1,500,000.00	
		3,362,628.79
		5,895,385.76
Decreased by:		
Budgeted Transfer to Capital Projects Fund	1,680,000.00	
Budgeted Transfer to Debt Service Fund	450,000.00	
		2,130,000.00
Ending Balance, June 30, 2017		$ 3,765,385.76

The June 30, 2017 LRFP balance of local support costs of uncompleted projects at June 30, 2017 is $32,682,220.00. The withdrawals from the capital reserve were for use in a Department of Education approved facilities projects, consistent with the School District's LRFP.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of accounts (fees for services), intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	Governmental Funds			Proprietary Fund	
Description	General Fund	Special Revenue Fund	Total Governmental Activities	Food Service Fund	Total
Federal Awards		$ 14,007.32	$ 14,007.32	$ 106,056.83	$ 120,064.15
State Awards	$ 852,318.03	6,166.00	858,484.03	1,266.63	859,750.66
Tuition Charges	265,932.80		265,932.80		265,932.80
Other				4,143.98	4,143.98
	$ 1,118,250.83	$ 20,173.32	$ 1,138,424.15	$ 111,467.44	$ 1,249,891.59

Note 5: INVENTORY

Inventory recorded at June 30, 2017 in governmental activities on the government-wide statement of net position, and on the general fund balance sheet, consisted of the following:

Supplies	$ 160,032.78

Inventory recorded at June 30, 2017 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	$ 12,372.34
Commodities	6,765.41
Supplies	26,776.68
	$ 45,914.43

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Retirements and Transfers	Balance June 30, 2017
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	$ 246,218.00			$ 246,218.00
Construction in Progress	3,175,363.98	$ 1,891,462.49		5,066,826.47
Total Capital Assets, not being Depreciated	3,421,581.98	1,891,462.49	-	5,313,044.47
Capital Assets, being Depreciated:				
Land Improvements	3,608,449.71			3,608,449.71
Buildings and Improvements	75,292,646.34	116,319.00	$ (66,285.00)	75,342,680.34
Equipment	9,873,086.19	611,184.95	(547,557.19)	9,936,713.95
Total Capital Assets, being Depreciated	88,774,182.24	727,503.95	(613,842.19)	88,887,844.00
Total Capital Assets, Cost	92,195,764.22	2,618,966.44	(613,842.19)	94,200,888.47
Less Accumulated Depreciation for:				
Land Improvements	(1,841,144.00)	(62,703.00)		(1,903,847.00)
Buildings and Improvements	(33,522,311.90)	(2,308,402.00)	66,285.00	(35,764,428.90)
Equipment	(7,302,884.15)	(829,235.14)	547,557.19	(7,584,562.10)
Total Accumulated Depreciation	(42,666,340.05)	(3,200,340.14)	613,842.19	(45,252,838.00)
Total Capital Assets, being Depreciated, Net	46,107,842.19	(2,472,836.19)	-	43,635,006.00
Governmental Activities Capital Assets, Net	$ 49,529,424.17	$ (581,373.70)	-	$ 48,948,050.47

Note 6: CAPITAL ASSETS (CONT'D)

Capital asset activity for the fiscal year ended June 30, 2017 is as follows (Cont'd):

	Balance July 1, 2016	Additions	Retirements and Transfers	Balance June 30, 2017
Business-Type Activities:				
Equipment	$1,676,361.33	$ 17,615.00		$ 1,693,976.33
Less: Accumulated Depreciation	(1,290,653.93)	(49,017.66)		(1,339,671.59)
Business-Type Activities Capital Assets, Net	$ 385,707.40	$ (31,402.66)	-	$ 354,304.74

Depreciation expense was charged to functions / programs of the School District as follows:

Governmental Activities:	
Regular Instruction	$ 495,014.14
Special Education Instruction	509,012.17
Transportation	276,165.99
General Administration	251,229.50
School Administration	23,810.00
Operations and Maintenance	1,374,483.34
Student and Instruction Related Services	270,625.00
Total Depreciation Expense - Governmental Activities	$ 3,200,340.14
Business-Type Activities:	
Food Service	$ 49,017.66

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations for governmental activities:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Governmental Activities:					
General Obligation Bonds	$ 10,385,000.00		$ (3,320,000.00)	$ 7,065,000.00	$ 3,500,000.00
Unamortized Costs:					
Premium on Bonds	601,447.53		(200,482.51)	400,965.02	
Net Pension Liability	29,599,474.00	$ 15,425,883.00	(5,948,917.00)	39,076,440.00	
Obligations under Capital Lease		6,685,000.00		6,685,000.00	300,000.00
Other Post Employment Benefits	961,544.00	415,467.64	(45,650.64)	1,331,361.00	
Compensated Absences	2,221,366.14	615,967.53	(444,273.23)	2,393,060.44	478,612.09
Governmental Activity Long-Term Liabilities	$ 43,768,831.67	$ 23,142,318.17	$ (9,959,323.38)	$ 56,951,826.46	$ 4,278,612.09

The bonds payable is generally liquidated by the debt service fund, while the capital lease payable, compensated absences, net pension liability, and postemployment benefits are liquidated by the general fund.

Note 7: LONG-TERM LIABILITIES (CONT'D)

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations for business-type activities:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Business-Type Activities:					
Compensated Absences	$ 42,381.83	$ 9,462.98	$ (8,476.37)	$ 43,368.44	$ 8,673.69

Compensated absences are liquidated by the food service enterprise fund.

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are general obligation bonds.

On December 10, 2014, the School District issued $13,555,000.00 of Refunding School Bonds to provide funding to refund the callable portion of the outstanding 2005 Bond Issue. The Refunding Bonds were issued at interest rates varying from 3.00% to 4.00%. The final maturity of these bonds is April 1, 2019.

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 3,500,000.00	$ 282,600.00	$ 3,782,600.00
2019	3,565,000.00	142,600.00	3,707,600.00
	$ 7,065,000.00	$ 425,200.00	$ 7,490,200.00

Bonds Authorized but not Issued - As of June 30, 2017, the School District had no authorizations to issue additional bonded debt.

Obligations under Capital Lease - The School District is leasing equipment and building improvements related to the district's Energy Savings Improvement Program totaling $6,685,000.00 under capital lease. The capital lease is for a term of fifteen years. Capital leases are depreciated in a manner consistent with the School District's deprecation policy for owned assets.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2017.

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 300,000.00	$ 197,543.62	$ 497,543.62
2019	350,000.00	135,900.05	485,900.05
2020	375,000.00	128,239.15	503,239.15
2021	390,000.00	120,038.75	510,038.75
2022	420,000.00	111,460.70	531,460.70
2023-2027	2,145,000.00	423,885.15	2,568,885.15
2028-2032	2,705,000.00	160,177.55	2,865,177.55
	$ 6,685,000.00	$ 1,277,244.97	$ 7,962,244.97

Note 7: LONG-TERM LIABILITIES (CONT'D)

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 15 for a description of the School District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 9. The School District's annual required contribution to the Public Employees' Retirement System is budgeted and paid from the general fund on an annual basis.

Note 8: OPERATING LEASES

At June 30, 2017, the School District had operating lease agreements in effect for copy machines, telecommunications equipment and mail machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 54,205.42
2019	13,792.08
2020	875.04
	$ 68,872.54

Rental payments under operating leases for the fiscal year ended June 30, 2017 were $168,385.94.

Note 9: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.nj.gov/treasury/pensions

General Information about the Pension Plans

Plan Descriptions

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Plan Descriptions (Cont'd)

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least $5,000.00 annually.

Vesting and Benefit Provisions

Teachers' Pension and Annuity Fund - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier.

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less that the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions.*

Note 9: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Contributions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 7.67% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was $2,681,280.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were $2,551,575.36.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.71% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was $1,172,124.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were $663,354.65.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2017, employee contributions totaled $18,426.77, and the School District recognized pension expense, which equaled the required contributions, of $10,501.15. There were no forfeitures during the fiscal year.

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Teachers' Pension and Annuity Fund - At June 30, 2017, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of Net Pension Liability	$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	264,850,367.00
	$264,850,367.00

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. For the June 30, 2016 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2016, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2016 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.3366754775%, which was a decrease of 0.0160716352% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized $19,899,820.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

Public Employees' Retirement System - At June 30, 2017, the School District reported a liability of $39,076,440.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the School District's proportion was 0.1319386363%, which was an increase of 0.0000806552% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized pension expense of $3,477,605.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) - At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 726,703.00	$ -
Changes of Assumptions	8,094,551.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,490,020.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	13,145.00	891,907.00
School District Contributions Subsequent to the Measurement Date	1,237,239.00	-
	$11,561,658.00	$ 891,907.00

$1,237,239.00, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	$ 2,067,936.00
2019	2,067,936.00
2020	2,435,970.00
2021	2,139,852.00
2022	720,818.00
	$ 9,432,512.00

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) - The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF	PERS
Inflation	2.50%	3.08%
Salary Increases:		
2012-2021	Varies Based on Experience	
Through 2026		1.65% - 4.15% Based on Age
Thereafter	Varies Based on Experience	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

For TPAF, pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2016 are summarized in the following tables:

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

TPAF			PERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%	Cash	5.00%	0.87%
U.S. Government Bonds	1.50%	1.28%	U.S. Treasuries	1.50%	1.74%
U.S. Credit Bonds	13.00%	2.76%	Investment Grade Credit	8.00%	1.79%
U.S. Mortgages	2.00%	2.38%	Mortgages	2.00%	1.67%
U.S. Inflation-Indexed Bonds	1.50%	1.41%	High Yield Bonds	2.00%	4.56%
U.S. High Yield Bonds	2.00%	4.70%	Inflation-Indexed Bonds	1.50%	3.44%
U.S. Equity Market	26.00%	5.14%	Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	5.91%	Developed Foreign Equities	13.25%	6.83%
Emerging Markets Equity	6.50%	8.16%	Emerging Market Equities	6.50%	9.95%
Private Real Estate Property	5.25%	3.64%	Private Equity	9.00%	12.40%
Timber	1.00%	3.86%	Hedge Funds / Absolute Return	12.50%	4.68%
Farmland	1.00%	4.39%	Real Estate (Property)	2.00%	6.91%
Private Equity	9.00%	8.97%	Commodities	0.50%	5.45%
Commodities	0.50%	2.87%	Global Debt ex U.S.	5.00%	-0.25%
Hedge Funds - MultiStrategy	5.00%	3.70%	REIT	5.25%	5.63%
Hedge Funds - Equity Hedge	3.75%	4.72%			
Hedge Funds - Distressed	3.75%	3.49%			
	100.00%			100.00%	

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2016 were 3.22% and 3.98% for TPAF and PERS, respectively. For TPAF and PERS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029 for TPAF and 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 for TPAF and 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 9: PENSION PLANS (CONT'D)

Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the School District is $0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 3.22%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	316,290,526.00	264,850,367.00	222,842,839.00
	$316,290,526.00	$264,850,367.00	$222,842,839.00

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
School District's Proportionate Share of the Net Pension Liability	$ 47,883,616.00	$ 39,076,440.00	$ 31,805,352.00

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS's respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

Note 10: SCHOOL EMPLOYEES HEALTH BENEFITS PROGRAM

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving postemployment medical benefits, and the State contributed $1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid $231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

The School Employees Health Benefits Program ("SEHBP") Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. Seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SEHBP. That report may be obtained from the Treasury website at:

http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The School District provides dental insurance benefits for retired employees, where such benefits are established and amended by the School District's Board of Education. The School District's plan, which is a single-employer post-employment healthcare plan, provides dental coverage for retired employees with twenty-five years of service. The Plan is administered by the School District; therefore, premium payments are made directly by the School District to the insurance carriers.

Funding Policy - Employees become eligible for retirement benefits based on hire date and years of service. There are no contribution requirements for the plan members. The School District established the requirements and they may be amended by the School District's Board of Education.

Retirees - The School District presently funds its current retiree postemployment benefit costs on a "pay-as-you-go" basis and as shown above, receives monthly contributions from retirees to offset a portion of the cost. The School District's contributions to the plan for the fiscal years ended June 30, 2017, 2016, and 2015 were $45,650.64, $56,946.60, and $35,841.00, respectively.

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the School District is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be $157,810.00 at an unfunded discount rate of 5%. As stated above, the School District has funded the cost of existing retirees in the amount of $45,650.64, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Annual OPEB Cost - For fiscal year 2017, the School District's annual OPEB cost (expense) of $415,467.64 for the plan was equal to the ARC plus certain adjustments because the School District's actual contributions in prior years differed from the ARC.

The School District's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for fiscal years 2017, 2016, and 2015 are as follows:

	2017	2016	2015
Annual Required Contribution (ARC)	$ 157,810.00	$ 119,310.00	$ 119,310.00
Interest on the Net OPEB Obligation	48,077.00	48,077.00	66,844.00
Adjustment to the ARC	209,580.64	(110,440.40)	(525,647.00)
Annual OPEB Cost	415,467.64	56,946.60	(339,493.00)
Pay-as-You Go Cost (Existing Retirees)	(45,650.64)	(56,946.60)	(35,841.00)
Increase (Decrease) in the Net OPEB Obligation	369,817.00	-	(375,334.00)
Net OPEB Obligation, July 1	961,544.00	961,544.00	1,336,878.00
Net OPEB Obligation, June 30	$ 1,331,361.00	$ 961,544.00	$ 961,544.00
Percentage of Annual OPEB Cost Contributed	11.0%	100.0%	-10.6%

Funded Status and Funding Progress - The funded status of the plan as of the three last actuarial valuation dates is as follows:

Funded Status and Funding Progress	2017	2015	2013
Actuarial Accrued Liability (AAL)	$ 1,331,361.00	$ 961,544.00	$ 1,336,878.00
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,331,361.00	$ 961,544.00	$ 1,336,878.00
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%	0.0%	0.0%
Covered Payroll (Active Plan Members)	N/A	N/A	N/A
UAAL as a Percentage of Covered Payroll	N/A	N/A	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Actuarial Methods and Assumptions - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality*. 1994 Sex Distinct Group Annuity Mortality Table.
- *Turnover*. Federal Employees Retirement System Withdrawal Rate.
- *Assumed Retirement Age.* When eligible but no earlier than age 55.
- *Annual Discount Rate*. Future costs have been discounted at the rate of 5% compounded annually for GASB 45 purposes.
- *Medical Trend*. 5% per annum.

Note 12: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were $3,620,433.00, $131,177.00, $3,125,944.00, and $5,086.00, respectively.

Note 13: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School District is billed quarterly for amounts due to the State.

The following is a summary of the activity of the School District's private-purpose trust fund for the unemployment claims for the current and previous two fiscal years:

Fiscal Year Ended June 30,	School District Contributions	Employee Contributions	Interest Income	Claims Incurred	Ending Balance
2017	-	$ 76,787.21	$ 1,015.83	$ 105,090.78	$ 362,306.17
2016	-	75,373.00	386.86	118,071.08	389,593.91
2015	-	77,622.27	464.22	98,378.60	431,905.13

Note 13: RISK MANAGEMENT (CONT'D)

Self-Insurance Plan – As of July 1, 2013, the school district was no longer self-insured for new worker's compensation claims. The workers' compensation insurance claims liability reported as of June 30, 2017 remains for claims incurred while the district was self-insured but have not been closed.

The workers' compensation insurance claims liability (incurred) is based on an analysis prepared by management, which is based on historical trends. The remaining claims liability (incurred) is based on an evaluation performed by the third-party administrator of the plan. The liability consists of an estimate for claims incurred but not reported of $380,841.00.

The following is a summary of the claims liability of the School District's private-purpose trust fund for self-insured workers' compensation for the current and previous fiscal years:

	Fiscal Year 2017	Fiscal Year 2016
Claims Liability Balance, July 1	$ 370,940.25	$ 315,588.85
Incurred Claims	168,624.43	58,682.20
Payment of Claims	(158,723.68)	(3,330.80)
Claims Liability Balnce, June 30	$ 380,841.00	$ 370,940.25

There have been no settlements that exceed the School District's coverage for fiscal years ended June 30, 2017, 2016, and 2015.

Joint Insurance Pool - The School District is a member of the New Jersey Schools Insurance Group. The Pool provides its members with the following coverage:

Property
Comprehensive General Liability
Commercial Inland Marine
Boiler and Machinery
Crime
Automobile
Environmental Impairment Liability

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. The Fund provides the School District with the following coverage:

Property
Comprehensive General Liability
Commercial Inland Marine
Boiler and Machinery
Crime
Automobile
Environmental Impairment Liability
Workers' Compensation
Educators Legal Liability
Cyber Liability
Violent Malicious Acts

Note 13: RISK MANAGEMENT (CONT'D)

Joint Insurance Pool (Cont'd) - Contributions to the Pool, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Pool's actuary. The School District's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of $50,000.00 to $200,000.00 based on the line of coverage for each insured event.

The Fund publishes its own financial report for the fiscal year ended June 30, 2017, which can be obtained from:

New Jersey Schools Insurance Group
450 Veterans Drive
Burlington, New Jersey 08016

Note 14: DEFERRED COMPENSATION

The School District offers its employees a choice of five deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Ameriprise Financial
AXA Equitable
Lincoln Investment Planning
Siracusa
Valic Investments

Note 15: COMPENSATED ABSENCES

The School District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

School District employees participate in one of six collective bargaining units with varying provisions for accumulation of unused sick leave. Payment for unused sick leave does not occur until retirement from the District or in some cases upon death of the employee. The accounting and the accumulated days is maintained by the District.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2017, the liability for compensated absences reported on the government-wide statement of net position and on the proprietary fund statement of net position was $2,393,060.44 and $43,368.44, respectively.

Note 16: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

Fund	Interfunds Receivable	Interfunds Payable
General	$ 528,008.00	$ 57.24
Capital Projects		12,903.05
Permanent	903.83	
Proprietary		282,189.39
Fiduciary	99,465.32	333,227.47
	$ 628,377.15	$ 628,377.15

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2018, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Interfund Transfers:

	Transfer In:	
	General Fund	Debt Service Fund
Transfer Out:		
General		$ 450,000.00
Capital Projects	$ 715,000.00	
Total Transfers	$ 715,000.00	$ 450,000.00

The $450,000.00 transfer from general fund to the debt service fund is the budgeted transfer of funds in support of the debt service fund budget. The $715,000.00 transfer from capital projects fund to the general fund is the unexpended locally funded portion of completed capital projects.

Note 17: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 18: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Note 19: COMMITMENTS

The School District had multiple construction projects ongoing as of the fiscal year ended June 30, 2017 that are to continue into the subsequent fiscal year(s). These projects, which are related to the capital projects fund, are as follows:

Contract	Commitment Date	Amount Outstanding
Jottan, Inc.:		
High School Roof Replacement	1/22/2015	$ 79,152.62
Schneider Electric Buildings Americas, Inc.:		
Energy Savings Improvement Program	7/14/2016	5,236,170.92
Total Commitments		$5,315,323.54

Note 20: DEFICIT FUND BALANCES

The School District has a deficit fund balance of $2,071,351.91 in the general fund and $51,441.96 in the special revenue fund as of June 30, 2017 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of $2,071,351.91 is less than the June state aid payments.

Note 21: FUND BALANCES

NONSPENDABLE

As stated in note 1, the nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balances of the School District, as of June 30, 2017, are summarized as follows:

General Fund - The School District records inventory utilizing the consumption method of accounting. As a result, because inventory is recorded as an asset, even though it does not represent expendable financial resources, it is necessary to set aside fund balance at fiscal year-end by an amount equal to the carrying value of the inventory. As of June 30, 2017, the nonspendable fund balance was $160,032.78.

Permanent Fund - The School District was the beneficiary of a distribution from an estate. In accordance with the terms of the distribution, the principal is to be invested upon good security, and the income only, derived there from, is to be used solely for student scholarships. As of June 30, 2017, the nonspendable fund balance amount was $8,000.00.

RESTRICTED

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

For Legally Restricted Appropriations – As of June 30, 2017, the School District was required to legally restrict fund balance in the amount of $949,808.24, which represents unspent capital project funds transferred to the general fund. These funds were originally transferred from capital outlay and therefore are restricted for utilization in a future years' budget.

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is $7,703,267.39. Additionally, $8,666,587.83 of excess fund balance generated during 2015-2016 has been restricted and designated for utilization in the 2017-2018 budget.

For Capital Reserve Account - As of June 30, 2017, the balance in the capital reserve account is $3,765,385.76. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP). $2,283,942.00 of the restricted reserve balance has been designated for utilization in the 2017-2018 Budget.

For Maintenance Reserve Account - As of June 30, 2017, the balance in the maintenance reserve account is $1,754,108.05. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Note 21: FUND BALANCES (CONT'D)

RESTRICTED (CONT'D)

For Emergency Reserve - As of June 30, 2017, the balance in the emergency reserve is $438,246.61. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1). The balance of the restricted fund balance is not permitted to exceed $250,000.00, or one percent (1%) of the School District's general fund budget up to a maximum of $1,000,000.00, whichever is greater. Deposits may be made to the emergency reserve account at budget time, or by board resolution at year end of any unanticipated revenue or unexpended line item appropriation, or both. Withdrawals from the emergency reserve require approval by the Commissioner.

Capital Projects Fund - On January 6, 2014 the District received approval from the Department of Education for the roof replacement at Pennsauken High School. This project was funded with a combination of a Grant from the State of New Jersey and a transfer from Capital Outlay. The School District also entered into a lease agreement on August 17, 2016 for $6,685,000.00. The proceeds of this lease is to be utilized to fund the School District's Energy Savings Improvement Program. As of June 30, 2017, the restricted fund balance amount was $5,627,386.97.

Debt Service Fund - In accordance with N.J.A.C. 6A:23A-8.6, a district board of education shall appropriate annually all debt service fund balances in the budget certified for taxes unless expressly authorized and documented by the voters in a bond referendum. As a result, the School District has $0.33 of debt service fund balance at June 30, 2017.

Permanent Fund - Other Purposes - The School District was the beneficiary of a distribution from an estate. In accordance with the terms of the distribution, any interest income derived from permanent fund principal is to be used solely for student scholarships. As of June 30, 2017, the restricted fund balance amount was $196.27.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2018 $1,174,459.17 of general fund balance at June 30, 2017. In addition, $82,715.47 of assigned fund balance from SEMI reimbursement resulting from the Special Education Medicaid Initiative (SEMI) reimbursement received during the current fiscal year for reimbursement of previous fiscal year expenditures has not been assigned to a budget year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2017, the general fund balance deficit of $2,071,351.91 was unassigned.

Note 21: FUND BALANCES (CONT'D)

UNASSIGNED (CONT'D)

Special Revenue Fund - As of June 30, 2017, the fund balance of the special revenue fund was a deficit of $51,441.96, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in note 20, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of $51,441.96 is less than the last state aid payment.

Note 22: TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

The Township of Pennsauken has entered into various property tax abatement agreements with properties having aggregate assessed valuations of $28,696,400.00. Based on the School District's 2016 certified tax rate of $1.697, abated taxes totaled $486,977.91.

FISCAL YEAR 2016

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Township of Pennsauken
County of Camden
Pennsauken, New Jersey 08110

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Pennsauken School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, major fund, and the aggregate remaining fund information of the Township of Pennsauken School District, in the County of Camden, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of the School District's contributions, and schedule of funding progress for health benefits plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Pennsauken School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the Fiscal year ended June 30, 2016, includes certain supplementary information, including the required budgetary comparisons and management's discussion and analysis, that is not included with this presentation of the basic financial statements.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Daniel M DiGangi

Daniel M. DiGangi
Certified Public Accountant
Public School Accountant No. CS 002376

Voorhees, New Jersey
December 1, 2016

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 17,194,596.32	$ 749,002.24	$ 17,943,598.56
Receivables, net	3,689,110.24	392,702.96	4,081,813.20
Inventory	132,851.88	42,542.51	175,394.39
Restricted Cash and Cash Equivalents	236,737.05		236,737.05
Capital Assets, net (Note 6)	49,529,424.17	385,707.40	49,915,131.57
Total Assets	70,782,719.66	1,569,955.11	72,352,674.77
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	5,057,010.00		5,057,010.00
Deferred Loss on Refunding	559,397.91		559,397.91
Total Deferred Outflows	5,616,407.91	-	5,616,407.91
LIABILITIES:			
Accounts Payable	3,361,194.79	35,297.45	3,396,492.24
Internal Balances	(586,558.11)	586,558.11	
Accrued Interest	102,696.11		102,696.11
Unearned Revenue		11,768.95	11,768.95
Noncurrent Liabilities (Note 7):			
Due within One Year	3,764,273.23	8,476.37	3,772,749.60
Due beyond One Year	40,004,558.44	33,905.46	40,038,463.90
Total Liabilities	46,646,164.46	676,006.34	47,322,170.80
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	1,624,240.00	-	1,624,240.00
NET POSITION:			
Net Investment in Capital Assets	39,102,374.55	385,707.40	39,488,081.95
Restricted for:			
Debt Service	58,671.22		58,671.22
Endowment Fund	8,180.45		8,180.45
Capital Projects	3,247,756.97		3,247,756.97
Other Purposes	16,135,229.39		16,135,229.39
Unrestricted (Deficit)	(30,423,489.47)	508,241.37	(29,915,248.10)
Total Net Position	$ 28,128,723.11	$ 893,948.77	$ 29,022,671.88

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
Instruction:							
Regular	$ 23,124,832.46	$ 430,834.27			$ (22,693,998.19)		$ (22,693,998.19)
Special Education	9,514,466.29	173,540.08	$ 2,540,571.89		(6,800,354.32)		(6,800,354.32)
Other Special Instruction	701,368.56				(701,368.56)		(701,368.56)
Other Instruction	1,126,398.82				(1,126,398.82)		(1,126,398.82)
Tuition	9,620,422.54		1,722,282.00		(7,898,140.54)		(7,898,140.54)
Support Services:							
Student and Instruction Related Services	7,607,191.51		372,368.74		(7,234,822.77)		(7,234,822.77)
School Administrative Services	2,654,634.75				(2,654,634.75)		(2,654,634.75)
Other Administrative Services	2,397,953.81				(2,397,953.81)		(2,397,953.81)
Plant Operations and Maintenance	8,547,332.57				(8,547,332.57)		(8,547,332.57)
Pupil Transportation	5,107,036.63				(5,107,036.63)		(5,107,036.63)
Unallocated Benefits	17,321,683.31		649,468.99		(16,672,214.32)		(16,672,214.32)
Reimbursed TPAF and Social Security	8,331,086.77		8,331,086.77				
Transfer to Charter School	3,363,325.00				(3,363,325.00)		(3,363,325.00)
Interest on Long-Term Debt	472,972.63		213,858.65		(259,113.98)		(259,113.98)
Total Governmental Activities	99,890,705.65	604,374.35	13,829,637.04	-	(85,456,694.26)	-	(85,456,694.26)
Business-Type Activities:							
Food Service	3,225,480.13	777,301.73	2,449,151.23	-	-	$ 972.83	972.83
Total Primary Government	$ 103,116,185.78	$ 1,381,676.08	$ 16,278,788.27	-	(85,456,694.26)	972.83	(85,455,721.43)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					37,284,104.00		37,284,104.00
Taxes Levied for Debt Service					2,138,665.00		2,138,665.00
Federal and State Aid Not Restricted					49,031,333.82		49,031,333.82
Federal and State Aid Restricted					3,279,300.93		3,279,300.93
Miscellaneous Income					674,598.86	1,072.03	675,670.89
Total General Revenues					92,408,002.61	1,072.03	92,409,074.64
Change in Net Position					6,951,308.35	2,044.86	6,953,353.21
Net Position -- July 1					21,177,414.76	891,903.91	22,069,318.67
Net Position -- June 30					$ 28,128,723.11	$ 893,948.77	$ 29,022,671.88

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	$ 17,194,596.32	$ 68,093.10		$ 161,367.33	$ 7,276.62	$ 17,431,333.37
Receivables, net:						
Interfunds Receivable:						
Enterprise Fund	586,558.11					586,558.11
Payroll Fund	523,744.67					523,744.67
Unemployment Compensation Trust Fund	83,308.39					83,308.39
General Fund					57.24	57.24
Capital Projects Fund	1,020,087.98					1,020,087.98
Student Activity Fund					846.59	846.59
Receivables from Other Governments:						
State of New Jersey	773,058.43	1,108.00	$ 1,735,087.98			2,509,254.41
Federal	113,652.65	18,836.80				132,489.45
Other Receivables	439,466.73					439,466.73
Inventory	132,851.88					132,851.88
Total Assets	$ 20,867,325.16	$ 88,037.90	$ 1,735,087.98	$ 161,367.33	$ 8,180.45	$ 22,859,998.82
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	$ 1,682,687.68	$ 49,950.86				$ 1,732,638.54
Interfunds Payable:						
General Fund			$ 1,020,087.98			1,020,087.98
Permanent Fund	57.24					57.24
Workers Compensation Claims	370,940.25					370,940.25
Payable to State Government		85,492.00				85,492.00
Total Liabilities	2,053,685.17	135,442.86	1,020,087.98	-	-	3,209,216.01
Fund Balances:						
Nonspendable Fund Balance:						
Reserve for Supplies Inventory	132,851.88					132,851.88
Permanent					$ 8,000.00	8,000.00
Restricted:						
Capital Reserve	852,756.97					852,756.97
Capital Reserve -- Designated for Subsequent Year's Expenditures	1,680,000.00					1,680,000.00
Emergency Reserve	436,715.65					436,715.65
Maintenance Reserve	1,000,600.33					1,000,600.33
Excess Surplus	8,666,587.83					8,666,587.83
Excess Surplus -- Designated for Subsequent Year's Expenditures	5,423,665.46					5,423,665.46
Capital Projects			715,000.00			715,000.00
Debt Service				$ 0.33		0.33
Debt Service -- Designated for Subsequent Year's Expenditures				161,367.00		161,367.00
Capital Outlay Legally Restricted	474,808.24					474,808.24
Other Purposes					180.45	180.45
Assigned:						
Subsequent Year's Expenditures	2,235,785.88					2,235,785.88
ARRA / SEMI 10/1/08 - 12/31/10 -- Designated for Subsequent Year's Expenditures	125,719.66					125,719.66
SEMI Cost Settlement 7/1/13 - 6/30/14 -- Designated for Subsequent Year's Expenditures	82,715.47					82,715.47
Unassigned (Deficit)	(2,298,567.38)	(47,404.96)				(2,345,972.34)
Total Fund Balances	18,813,639.99	(47,404.96)	715,000.00	161,367.33	8,180.45	19,650,782.81
Total Liabilities and Fund Balances	$ 20,867,325.16	$ 88,037.90	$ 1,735,087.98	$ 161,367.33	$ 8,180.45	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $92,195,764.22 and the accumulated depreciation is $42,666,340.05.	49,529,424.17
Deferred loss on refundings are not financial resources and therefore are not reported in the funds.	559,397.91
Interest on long term debt is accrued on the Statement of Net Position regardless when due.	(102,696.11)
Accounts Payable related to the April 1, 2017 Required PERS pension contribution that is not to be liquidated with current financial resources.	(1,172,124.00)
Deferred Outflows of Resources - Related to Pensions	5,057,010.00
Deferred Inflows of Resources - Related to Pensions	(1,624,240.00)
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(43,768,831.67)
Net Position of Governmental Activities	$ 28,128,723.11

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Local Tax Levy	$ 37,284,104.00			$ 2,138,665.00		$ 39,422,769.00
Tuition	604,374.35					604,374.35
Miscellaneous	674,595.43				$ 3.43	674,598.86
State Sources	57,047,595.77	$ 1,253,557.82	$ 2,014,837.58	1,541,835.00		61,857,826.17
Federal Sources	314,824.82	3,967,620.80				4,282,445.62
Total Revenues	95,925,494.37	5,221,178.62	2,014,837.58	3,680,500.00	3.43	106,842,014.00
EXPENDITURES:						
Regular Instruction	22,735,815.59					22,735,815.59
Special Education Instruction	6,617,416.39	2,540,571.89				9,157,988.28
Other Special Instruction	701,368.56					701,368.56
Other Instruction	1,126,398.82					1,126,398.82
Tuition	7,898,140.54	1,722,282.00				9,620,422.54
Support Services and Undistributed Costs:						
Student and Instruction Related Services	7,030,895.77	372,368.74				7,403,264.51
School Administrative Services	2,610,661.75					2,610,661.75
Other Administrative Services	2,163,538.69					2,163,538.69
Plant Operations and Maintenance	7,354,406.91					7,354,406.91
Pupil Transportation	4,834,736.62					4,834,736.62
Unallocated Benefits	16,120,507.32	649,468.99				16,769,976.31
Reimbursed TPAF Pension, Medical and Social Security	8,331,086.77					8,331,086.77
Transfer to Charter Schools	3,363,325.00					3,363,325.00
Debt Service:						
Principal				3,170,000.00		3,170,000.00
Interest and Other Charges				510,500.00		510,500.00
Capital Outlay	673,719.01	21,343.99	2,379,254.20			3,074,317.20
Total Expenditures	91,562,017.74	5,306,035.61	2,379,254.20	3,680,500.00	-	102,927,807.55
Excess (Deficiency) of Revenues over Expenditures	4,363,476.63	(84,856.99)	(364,416.62)	-	3.43	3,914,206.45
OTHER FINANCING SOURCES (USES):						
Operating Transfer -- Capital Projects Fund to Capital Reserve	220,858.80		(220,858.80)			
Operating Transfer -- Capital Reserve to Capital Projects Fund	(240,000.00)		240,000.00			
Operating Transfer -- Capital Projects Fund to Capital Outlay	474,808.24		(474,808.24)			
Total Other Financing Sources and Uses	455,667.04	-	(455,667.04)	-	-	-
Net Change in Fund Balances	4,819,143.67	(84,856.99)	(820,083.66)	-	3.43	3,914,206.45
Fund Balance -- July 1	13,994,496.32	37,452.03	1,535,083.66	161,367.33	8,177.02	15,736,576.36
Fund Balance -- June 30	$ 18,813,639.99	$ (47,404.96)	$ 715,000.00	$ 161,367.33	$ 8,180.45	$ 19,650,782.81

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total Net Change in Fund Balances - Governmental Funds		$ 3,914,206.45
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	$ (2,782,054.05)	
Capital Outlays	3,074,317.20	
		292,263.15
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		3,170,000.00
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of the long-term debt related items.		
Amortization of Loss on Refunding Bonds		(186,465.97)
Amortization of Bond Premiums		200,482.51
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)		23,510.83
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-);when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		89,018.38
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which the School District's pension contributions exceeded pension benefits earned in the current period.		(551,707.00)
Change in Net Position of Governmental Activities		$ 6,951,308.35

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2016

	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 749,002.24
Interfunds Receivable:	
Fiduciary Fund	6,114.09
Accounts Receivable:	
State	5,493.01
Federal	367,874.80
Other	13,221.06
Inventories	42,542.51
Total Current Assets	1,184,247.71
Noncurrent Assets:	
Capital Assets:	
Equipment	1,676,361.33
Less Accumulated Depreciation	(1,290,653.93)
Total Noncurrent Assets	385,707.40
Total Assets	1,569,955.11
LIABILITIES:	
Current Liabilities:	
Interfund Accounts Payable:	
Due General Fund	586,558.11
Accounts Payable	35,297.45
Unearned Revenue	11,768.95
Compensated Absences Payable	8,476.37
Total Current Liabilities	642,100.88
Noncurrent Liabilities:	
Compensated Absences Payable	33,905.46
Total Liabilities	676,006.34
NET POSITION:	
Net Investment in Capital Assets	385,707.40
Unrestricted	508,241.37
Total Net Position	$ 893,948.77

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016

	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
School Lunch Program	$ 367,021.20
School Breakfast Program	17,884.10
Special Milk Program	2,310.25
Daily Sales - Non-Reimbursable Programs	361,581.22
Miscellaneous	5,517.19
Special Functions	22,987.77
Total Operating Revenues	777,301.73
OPERATING EXPENSES:	
Salaries	871,985.75
Employee Benefits	700,703.25
General Supplies	18,772.94
Depreciation	62,550.16
Cost of Sales - Reimbursable Programs	1,330,262.41
Cost of Sales - Non-Reimbursable Programs	182,951.30
Miscellaneous	58,254.32
Total Operating Expenses	3,225,480.13
Operating Income / (Loss)	(2,448,178.40)
NONOPERATING REVENUES (EXPENSES):	
State Sources:	
State School Lunch Program	33,808.44
Federal Sources:	
National School Lunch Program	1,627,245.50
National School Breakfast Program	584,795.81
Special Milk Program	4,254.90
Food Distribution Program	199,046.58
Interest Revenue	1,072.03
Total Nonoperating Revenues (Expenses)	2,450,223.26
Change in Net Position	2,044.86
Net Position -- July 1	891,903.91
Net Position -- June 30	$ 893,948.77

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	$ 768,560.83
Payments to Employees	(879,049.85)
Payments for Employee Benefits	(701,243.65)
Payments for Supplies and Services	(1,636,006.53)
Net Cash Provided by (used for) Operating Activities	(2,447,739.20)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State Sources	30,715.82
Federal Sources	2,208,814.49
Operating Subsidies and Transfers	170,061.05
Net Cash Provided by (used for) Non-Capital Financing Activities	2,409,591.36
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of Capital Assets	(109,955.00)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Revenue	1,072.03
Net Increase (Decrease) in Cash and Cash Equivalents	(147,030.81)
Cash and Cash Equivalents -- July 1	896,033.05
Cash and Equivalents -- June 30	$ 749,002.24
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (2,448,178.40)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation	62,550.16
(Increase) Decrease in Inventories	(4,547.94)
Increase (Decrease) in Accounts Payable	(41,217.62)
Increase (Decrease) in Unearned Revenue	995.19
Increase (Decrease) in Accrued Salary Benefits	(7,604.50)
(Increase) Decrease in Accounts Receivable	(9,736.09)
Total Adjustments	439.20
Net Cash Provided by (used for) Operating Activities	$ (2,447,739.20)

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2016

	Private Purpose Trust Funds		Agency Funds		
	Scholarship Trust	Unemployment Compensation Trust	Student Activity	Payroll	Total
ASSETS:					
Cash and Cash Equivalents	$ 25,820.37	$ 383,076.20	$ 203,756.20	$ 1,125,876.20	$ 1,738,528.97
Interfund Receivable:					
Due Agency Fund -- Payroll		99,184.51			99,184.51
Total Assets	25,820.37	482,260.71	$ 203,756.20	$ 1,125,876.20	1,837,713.48
LIABILITIES:					
Accounts Payable		10,328.41			10,328.41
Interfund Accounts Payable:					
Due Unemployment Fund				$ 99,184.51	99,184.51
Due Permanent Fund			$ 846.59		846.59
Due General Fund	970.00	82,338.39		523,744.67	607,053.06
Due Food Service Fund				6,114.09	6,114.09
Payable to Student Groups			202,909.61		202,909.61
Payroll Deductions and Withholdings				496,832.93	496,832.93
Total Liabilities	970.00	92,666.80	$ 203,756.20	$ 1,125,876.20	1,423,269.20
NET POSITION:					
Held in Trust for Unemployment Claims and Other Purposes	$ 24,850.37	$ 389,593.91			$ 414,444.28

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF PENNSAUKEN SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Funds		
	Scholarship Trust	Unemployment Compensation Trust	Total
ADDITIONS:			
Contributions and Donations from Payroll Deductions Withheld		$ 75,373.00	$ 75,373.00
Scholarship Donations	$ 9,148.20		9,148.20
Investment Earnings:			
Interest		386.86	386.86
Total Additions	9,148.20	75,759.86	84,908.06
DEDUCTIONS:			
Scholarship Awards	4,700.00		4,700.00
Unemployment Claims		118,071.08	118,071.08
Total Deductions	4,700.00	118,071.08	122,771.08
Change in Net Position	4,448.20	(42,311.22)	(37,863.02)
Net Position -- July 1	20,402.17	431,905.13	452,307.30
Net Position -- June 30	$ 24,850.37	$ 389,593.91	$ 414,444.28

The accompanying Notes to Financial Statements are an integral part of this statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Pennsauken School District (the "School District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades Pre-K through 12 at its twelve schools. The School District has an approximate enrollment at June 30, 2016 of 4,961.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control.

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units (Cont'd)

Based upon the application of these criteria, the School District has no component units, and is not a component unit of another governmental agency.

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Camden County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Permanent Fund - The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs, that is, for the benefit of the School District or its students as a whole. The School District maintains a permanent fund for the purpose of scholarships.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary fund:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds:

Scholarship Fund - Revenues consist of donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

New Jersey Unemployment Compensation Insurance Trust Fund - Revenues consist of contributions that have been included in the annual budget of the School District, employee payroll withholdings, and interest income. Expenditures represent claims incurred for unemployment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1, exhibit C-2 and exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Encumbrances (Cont'd)

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

Inventories recorded on the government-wide financial statements, governmental fund financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Tuition Receivable

Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The School District's capitalization threshold is $2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	10 to 20 Years	N/A
Buildings and Improvements	10 to 50 Years	N/A
Equipment	5 to 20 Years	5 to 12 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Outflows and Deferred Inflows of Resources (Cont'd)

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

In addition, the School District reports the following as deferred outflows of resources:

Loss on Refunding of Debt - The loss on refunding arose from the issuance of refunding bonds, which is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2016 and 2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Accrued Salaries and Wages

Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2016 the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The School District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), and additions to/deductions from TPAF's and PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond Discounts / Premiums

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts / premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position and on the proprietary fund statement of net position.

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2016:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the basic financial statements of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issued Accounting Principles (Cont'd)

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements during the fiscal year ended June 30, 2016 which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the School District in fiscal year 2018. Management has not yet determined the impact of this Statement on the basic financial statements of the School District.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement will become effective for the School District in fiscal year 2018. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issued Accounting Principles (Cont'd)

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have a material impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of June 30, 2016, the School District's bank balances of $20,316,676.74 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	$	20,004,468.62
Uninsured and uncollateralized		312,208.12
	$	20,316,676.74

New Jersey Cash Management Fund - During the fiscal year, the School District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2016, the School District's deposits with the New Jersey Cash Management Fund were $468,801.17.

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of $1,000.00 on September 28, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015		$ 2,049,725.30
Increased by:		
Interest Earnings	$ 2,172.87	
Transfer from Capital Projects Fund	220,858.80	
Transfer per June 23, 2016 Resolution	500,000.00	
		723,031.67
		2,772,756.97
Decreased by:		
Withdrawals		240,000.00
Ending Balance, June 30, 2016		$ 2,532,756.97

The June 30, 2016 LRFP balance of local support costs of uncompleted projects at June 30, 2016 is $32,682,220.00. The withdrawals from the capital reserve were for use in a Department of Education approved facilities projects, consistent with the School District's LRFP.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of accounts (fees for services), intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	Governmental Funds				Proprietary Fund	
Description	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Activities	Food Service Fund	Total
Federal Awards	$ 113,652.65	$ 18,836.80		$ 132,489.45	$ 367,874.80	$ 500,364.25
State Awards	773,058.43	1,108.00	$ 1,735,087.98	2,509,254.41	5,493.01	2,514,747.42
Tuition Charges	439,466.73			439,466.73		439,466.73
Other					13,221.06	13,221.06
	$ 1,326,177.81	$ 19,944.80	$ 1,735,087.98	$ 3,081,210.59	$ 386,588.87	$ 3,467,799.46

Note 5: INVENTORY

Inventory recorded at June 30, 2016 in governmental activities on the government-wide statement of net position, and on the general fund balance sheet, consisted of the following:

Supplies	$ 132,851.88

Inventory recorded at June 30, 2016 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	$ 11,251.86
Commodities	8,606.72
Supplies	22,683.93
	$ 42,542.51

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Retirements and Transfers	Balance June 30, 2016
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	$ 246,218.00			$ 246,218.00
Construction in Progress	6,507,553.34	$ 2,379,254.20	$ (5,711,443.56)	3,175,363.98
Total Capital Assets, not being Depreciated	6,753,771.34	2,379,254.20	(5,711,443.56)	3,421,581.98
Capital Assets, being Depreciated:				
Land Improvements	3,582,123.71	26,326.00		3,608,449.71
Buildings and Improvements	69,581,202.78		5,711,443.56	75,292,646.34
Equipment	9,460,342.19	668,737.00	(255,993.00)	9,873,086.19
Total Capital Assets, being Depreciated	82,623,668.68	695,063.00	5,455,450.56	88,774,182.24
Total Capital Assets, Cost	89,377,440.02	3,074,317.20	(255,993.00)	92,195,764.22
Less Accumulated Depreciation for:				
Land Improvements	(1,755,243.00)	(85,901.00)		(1,841,144.00)
Buildings and Improvements	(31,671,131.90)	(1,851,180.00)		(33,522,311.90)
Equipment	(6,713,904.10)	(844,973.05)	255,993.00	(7,302,884.15)
Total Accumulated Depreciation	(37,672,946.00)	(2,782,054.05)	255,993.00	(42,666,340.05)
Total Capital Assets, being Depreciated, Net	44,057,710.02	(2,086,991.05)	5,711,443.56	46,107,842.19
Governmental Activities Capital Assets, Net	$ 46,333,153.51	$ 292,263.15	-	$ 49,529,424.17

	Balance July 1, 2015	Additions	Retirements and Transfers	Balance June 30, 2016
Business-Type Activities:				
Equipment	$1,566,406.33	$ 109,955.00		$ 1,676,361.33
Less: Accumulated Depreciation	(1,228,103.77)	(62,550.16)		(1,290,653.93)
Business-Type Activities Capital Assets, Net	$ 376,618.30	$ 47,404.84	-	$ 385,707.40

Depreciation expense was charged to functions / programs of the School District as follows:

Governmental Activities:	
Regular Instruction	$ 452,474.51
Special Education Instruction	382,038.75
Transportation	272,300.01
General Administration	234,415.12
School Administration	43,973.00
Operations and Maintenance	1,192,925.66
Student and Instruction Related Services	203,927.00
Total Depreciation Expense - Governmental Activities	$ 2,782,054.05

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations for governmental activities:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within One Year
Governmental Activities:					
General Obligation Bonds	$ 13,555,000.00		$ (3,170,000.00)	$ 10,385,000.00	$ 3,320,000.00
Unamortized Costs:					
Premium on Bonds	801,930.04		(200,482.51)	601,447.53	
Net Pension Liability	24,881,937.00	$ 8,257,824.00	(3,540,287.00)	29,599,474.00	
Other Post Employment Benefits	961,544.00	56,946.60	(56,946.60)	961,544.00	
Compensated Absences	2,310,384.52	462,076.90	(551,095.28)	2,221,366.14	444,273.23
Governmental Activity Long-Term Liabilities	$ 42,510,795.56	$ 8,776,847.50	$ (7,518,811.39)	$ 43,768,831.67	$ 3,764,273.23

The bonds payable is generally liquidated by the debt service fund, while compensated absences and net pension liability are liquidated by the general fund.

During the fiscal year ended June 30, 2016 the following changes occurred in long-term obligations for business-type activities:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within One Year
Business-Type Activities:					
Compensated Absences	$ 49,986.33	$ 9,997.27	$ (17,601.77)	$ 42,381.83	$ 8,476.37

Compensated absences are liquidated by the food service fund.

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are general obligation bonds.

On December 10, 2014, the School District issued $13,555,000.00 of Refunding School Bonds to provide funding to refund the callable portion of the outstanding 2005 Bond Issue. The Refunding Bonds were issued at interest rates varying from 3.00% to 4.00%. The final maturity of these bonds is April 1, 2019.

Principal and interest due on bonds outstanding is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	$ 3,320,000.00	$ 415,400.00	$ 3,735,400.00
2018	3,500,000.00	282,600.00	3,782,600.00
2019	3,565,000.00	142,600.00	3,707,600.00
	$ 10,385,000.00	$ 840,600.00	$ 11,225,600.00

Bonds Authorized but not Issued - As of June 30, 2016, the School District had no authorizations to issue additional bonded debt.

Note 7: LONG-TERM LIABILITIES (CONT'D)

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 15 for a description of the School District's policy.

Note 8: OPERATING LEASES

At June 30, 2016, the School District had operating lease agreements in effect for copy machines, telecommunications equipment and mail machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

Fiscal Year Ending June 30,	Amount
2017	$ 168,385.94
2018	54,205.42
2019	13,792.08
2020	875.04
	$ 237,258.48

Rental payments under operating leases for the fiscal year ended June 30, 2016 were $179,990.40.

Note 9: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.nj.gov/treasury/pensions

General Information about the Pension Plans

Plan Descriptions

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Plan Descriptions (Cont'd)

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in SPRS or PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least $5,000.00 annually.

Vesting and Benefit Provisions

Teachers' Pension and Annuity Fund - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier.

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less that the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions.*

Note 9: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Contributions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 5.66% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2016 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2016 was $1,895,758.00, and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2016 were $2,413,133.51.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 13.10% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2015, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2016 was $1,133,625.00, and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2016 were $648,138.75.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2016, employee contributions totaled $13,254.45, and the School District recognized pension expense of $7,065.79. There were no forfeitures during the fiscal year.

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Teachers' Pension and Annuity Fund - At June 30, 2016, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of Net Pension Liability	$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	222,951,239.00
	$222,951,239.00

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. For the June 30, 2015 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2015, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2015 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.3527471127%, which was a decrease of 0.0047866792.% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School District recognized $13,613,180.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2015 measurement date.

Public Employees' Retirement System - At June 30, 2016, the School District reported a liability of $29,599,474.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the School District's proportion was 0.1318579811%, which was a decrease of 0.0010389340% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School District recognized pension expense of $1,685,293.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2015 measurement date.

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) - At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 706,139.00	$ -
Changes of Assumptions	3,178,747.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	475,903.00
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	-	1,148,337.00
School District Contributions Subsequent to the Measurement Date	1,172,124.00	-
	$ 5,057,010.00	$ 1,624,240.00

$1,172,124.00 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	$ 364,577.00
2018	364,577.00
2019	364,577.00
2020	735,286.00
2021	431,629.00
	$ 2,260,646.00

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) – The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF	PERS
Inflation	2.50%	3.04%
Salary Increases:		
2012-2021	Varies Based on Experience	2.15% - 4.40% Based on Age
Thereafter	Varies Based on Experience	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2009 - June 30, 2012	July 1, 2008 - June 30, 2011

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2015 are summarized in the following tables:

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

TPAF			PERS		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	5.00%	0.53%	Cash	5.00%	1.04%
US Government Bonds	1.75%	1.39%	U.S. Treasuries	1.75%	1.64%
US Credit Bonds	13.50%	2.72%	Investment Grade Credit	10.00%	1.79%
US Mortgages	2.10%	2.54%	Mortgages	2.10%	1.62%
US Inflation-Indexed Bonds	1.50%	1.47%	High Yield Bonds	2.00%	4.03%
US High Yield Bonds	2.00%	4.57%	Inflation-Indexed Bonds	1.50%	3.25%
US Equity Market	27.25%	5.63%	Broad U.S. Equities	27.25%	8.52%
Foreign-Developed Equity	12.00%	6.22%	Developed Foreign Equities	12.00%	6.88%
Emerging Markets Equity	6.40%	8.46%	Emerging Market Equities	6.40%	10.00%
Private Real Estate Property	4.25%	3.97%	Private Equity	9.25%	12.41%
Timber	1.00%	4.09%	Hedge Funds/Absolute Return	12.00%	4.72%
Farmland	1.00%	4.61%	Real Estate (Property)	2.00%	6.83%
Private Equity	9.25%	9.15%	Commodities	1.00%	5.32%
Commodities	1.00%	3.58%	Global Debt ex U.S.	3.50%	-0.40%
Hedge Funds - MultiStrategy	4.00%	4.59%	REIT	4.25%	5.12%
Hedge Funds - Equity Hedge	4.00%	5.68%			
Hedge Funds - Distressed	4.00%	4.30%		100.00%	
	100.00%				

Discount Rate - The discount rates used to measure the total pension liability were 4.13% and 4.68% for TPAF as of June 30, 2015 and 2014, respectively, and 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For TPAF and PERS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 9: PENSION PLANS (CONT'D)

Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2015, the pension plans measurement date, attributable to the School District is $0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.13%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	264,969,214.00	222,951,239.00	186,750,239.00
	$264,969,214.00	$222,951,239.00	$186,750,239.00

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2015, the plans measurement date, calculated using a discount rate of 4.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
School District's Proportionate Share of the Net Pension Liability	$ 36,788,525.00	$ 29,599,474.00	$ 23,572,226.00

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS' respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/annrpts.shtml.

Note 10: STATE POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving postemployment medical benefits, and the State contributed $1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid $214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The School District provides dental insurance benefits for retired employees, where such benefits are established and amended by the School District's Board of Education. The School District's plan, which is a single-employer post-employment healthcare plan, provides dental coverage for retired employees with twenty-five years of service. The Plan is administered by the School District; therefore, premium payments are made directly by the School District to the insurance carriers.

Funding Policy - Employees become eligible for retirement benefits based on hire date and years of service. There are no contribution requirements for the plan members. The School District established the requirements and they may be amended by the School District's Board of Education.

Retirees - The School District presently funds its current retiree postemployment benefit costs on a "pay-as-you-go" basis and as shown above, receives monthly contributions from retirees to offset a portion of the cost. The School District's contributions to the plan for the fiscal years ended June 30, 2016, 2015, and 2014 were $56,946.60, $35,841.00, and $73,652.00, respectively.

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the School District is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be $119,310.00 at an unfunded discount rate of 5%. As stated above, the School District has funded the cost of existing retirees in the amount of $56,946.60, and has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Annual OPEB Cost - For fiscal year 2016, the School District's annual OPEB cost (expense) of $56,946.60 for the plan was equal to the ARC plus certain adjustments because the School District's actual contributions in prior years differed from the ARC. The School District's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for fiscal years 2016, 2015, and 2014 are as follows:

	2016	2015	2014
Annual Required Contribution (ARC)	$ 119,310.00	$ 119,310.00	$ 153,264.00
Interest on the Net OPEB Obligation	48,077.00	66,844.00	66,844.00
Adjustment to the ARC	(110,440.40)	(525,647.00)	(146,456.00)
Annual OPEB Cost	56,946.60	(339,493.00)	73,652.00
Pay-as-You Go Cost (Existing Retirees)	(56,946.60)	(35,841.00)	(73,652.00)
Increase (Decrease) in the Net OPEB Obligation	-	(375,334.00)	-
Net OPEB Obligation, July 1	961,544.00	1,336,878.00	1,336,878.00
Net OPEB Obligation, June 30	$ 961,544.00	$ 961,544.00	$ 1,336,878.00
Percentage of Annual OPEB Cost Contributed	100.0%	-10.6%	100.0%

Funded Status and Funding Progress - The funded status of the plan as of June 30, 2016, was as follows:

Funded Status and Funding Progress	
Actuarial Accrued Liability (AAL)	$ 961,544.00
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 961,544.00
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%
Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Actuarial Methods and Assumptions - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality*. 1994 Sex Distinct Group Annuity Mortality Table.
- *Turnover*. Federal Employees Retirement System Withdrawal Rate.
- *Assumed Retirement Age.* When eligible but no earlier than age 55.
- *Annual Discount Rate*. Future costs have been discounted at the rate of 5% compounded annually for GASB 45 purposes.
- *Medical Trend*. 5% per annum.

Note 12: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2016, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs, and non-contributory insurance were $2,567,651.00, $3,209,662.00 and $127,904.00, respectively.

Note 13: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School District is billed quarterly for amounts due to the State.

The following is a summary of the activity of the School District's private-purpose trust fund for the unemployment claims for the current and previous two fiscal years:

Fiscal Year Ended June 30,	School District Contributions	Employee Contributions	Interest Income	Claims Incurred	Ending Balance
2016	-	$ 75,373.00	$ 386.86	$ 118,071.08	$ 389,593.91
2015	-	77,622.27	464.22	98,378.60	431,905.13
2014	-	75,553.84	459.44	90,849.67	452,197.24

Note 13: RISK MANAGEMENT (CONT'D)

Self-Insurance Plan – As of July 1, 2013, the school district was no longer self-insured for new worker's compensation claims. The workers' compensation insurance claims liability reported as of June 30, 2016 remains for claims incurred while the district was self-insured but have not been closed.

The workers' compensation insurance claims liability (incurred) is based on an analysis prepared by management, which is based on historical trends. The remaining claims liability (incurred) is based on an evaluation performed by the third-party administrator of the plan. The liability consists of an estimate for claims incurred but not reported of $370,940.25.

The following is a summary of the claims liability of the School District's private-purpose trust fund for self-insured workers' compensation for the current and previous fiscal years:

	Fiscal Year 2016	Fiscal Year 2015
Claims Liability Balance, July 1	$ 315,588.85	$ 220,658.25
Incurred Claims	58,682.20	190,223.22
Payment of Claims	(3,330.80)	(95,292.62)
Claims Liability Balnce, June 30	$ 370,940.25	$ 315,588.85

There have been no settlements that exceed the School District's coverage for fiscal years ended June 30, 2016 and 2015.

Joint Insurance Pool - The School District is a member of the New Jersey Schools Insurance Group. The Pool provides its members with the following coverage:

Property
Comprehensive General Liability
Commercial Inland Marine
Boiler and Machinery
Crime
Automobile
Environmental Impairment Liability

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. The Fund provides the School District with the following coverage:

Property
Comprehensive General Liability
Commercial Inland Marine
Boiler and Machinery
Crime
Automobile
Environmental Impairment Liability
Workers' Compensation
Educators Legal Liability
Cyber Liability
Violent Malicious Acts

Note 13: RISK MANAGEMENT (CONT'D)

Joint Insurance Pool (Cont'd) - Contributions to the Pool, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Pool's actuary. The School District's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of $50,000.00 to $200,000.00 based on the line of coverage for each insured event.

The Fund publishes its own financial report for the fiscal year ended June 30, 2016, which can be obtained from:

New Jersey Schools Insurance Group
450 Veterans Drive
Burlington, New Jersey 08016

Note 14: DEFERRED COMPENSATION

The School District offers its employees a choice of six deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Ameriprise Financial
AXA Equitable
Lincoln Investment Planning
Midland National
Siracusa
Valic Investments

Note 15: COMPENSATED ABSENCES

The School District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

School District employees participate in one of six collective bargaining units with varying provisions for accumulation of unused sick leave. Payment for unused sick leave does not occur until retirement from the District or in some cases upon death of the employee. The accounting and the accumulated days is maintained by the District.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2016, the liability for compensated absences reported on the government-wide statement of net position and on the proprietary fund statement of net position was $2,221,366.14 and $42,381.83, respectively.

Note 16: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

Fund	Interfunds Receivable	Interfunds Payable
General	$ 2,213,699.15	$ 57.24
Capital Projects		1,020,087.98
Permanent	903.83	
Proprietary	6,114.09	586,558.11
Fiduciary	99,184.51	713,198.25
	$ 2,319,901.58	$ 2,319,901.58

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2017, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Interfund Transfers:

	Transfer In:	
	General Fund	Capital Projects Fund
Transfer Out:		
General		$ 240,000.00
Capital Projects	$ 695,667.04	
Total Transfers	$ 695,667.04	$ 240,000.00

The $240,000.00 transfer from general fund to the capital projects fund is the required local share of capital projects. The transfer from capital projects fund to the general fund is the unexpended locally funded portion of completed capital projects.

Note 17: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 18: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 19: COMMITMENTS

The School District had one construction project ongoing as of the fiscal year ended June 30, 2016 that is to continue into the subsequent fiscal year(s). This project, which is related to the capital projects fund, is as follows:

Contract	Commitment Date	Amount Outstanding
Jottan Inc.:		
High School Roof Replacement	1/22/2015	$ 79,152.62

Note 20: DEFICIT FUND BALANCES

The School District has a deficit fund balance of $2,298,567.38 in the general fund and $47,404.96 in the special revenue fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of $2,298,567.38 is less than the June state aid payments.

Note 21: FUND BALANCES

NONSPENDABLE

As stated in note 1, the nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balances of the School District, as of June 30, 2016, are summarized as follows:

General Fund - The School District records inventory utilizing the consumption method of accounting. As a result, because inventory is recorded as an asset, even though it does not represent expendable financial resources, it is necessary to set aside fund balance at fiscal year-end by an amount equal to the carrying value of the inventory. As of June 30, 2016, the nonspendable fund balance was $132,851.88.

Note 21: FUND BALANCES (CONT'D)

NONSPENDABLE (CONT'D)

Permanent Fund - The School District was the beneficiary of a distribution from an estate. In accordance with the terms of the distribution, the principal is to be invested upon good security, and the income only, derived there from, is to be used solely for student scholarships. As of June 30, 2016, the nonspendable fund balance amount was $8,000.00.

RESTRICTED

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

For Legally Restricted Appropriations – As of June 30, 2016, the School District was required to legally restrict fund balance in the amount of $474,808.24, which represents unspent capital project funds transferred to the general fund. These funds were originally transferred from capital outlay and therefore are restricted for utilization in a future years' budget.

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is $14,090,253.29. $5,423,665.46 of the excess fund balance generated during 2014-2015 has been restricted and designated for utilization in the 2016-2017 budget.

For Capital Reserve Account - As of June 30, 2016, the balance in the capital reserve account is $2,532,756.97. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP). $1,680,000.00 of the restricted reserve balance has been designated for utilization in the 2016-2017 Budget.

For Maintenance Reserve Account - As of June 30, 2016, the balance in the maintenance reserve account is $1,000,600.33. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

For Emergency Reserve - As of June 30, 2016, the balance in the emergency reserve is $436,715.65. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1). The balance of the restricted fund balance is not permitted to exceed $250,000.00, or one percent (1%) of the School District's general fund budget up to a maximum of $1,000,000.00, whichever is greater. Deposits may be made to the emergency reserve account at budget time, or by board resolution at year end of any unanticipated revenue or unexpended line item appropriation, or both. Withdrawals from the emergency reserve require approval by the Commissioner.

Note 21: FUND BALANCES (CONT'D)

RESTRICTED (CONT'D)

Capital Projects Fund - On January 6, 2014 the District received approval from the Department of Education for the roof replacement at Pennsauken High School. This project was funded with a combination of a Grant from the State of New Jersey and a transfer from Capital Outlay. The School District also approved four additional projects upon adoption of the annual budget. These projects include the Roosevelt Parking Lot Resurfacing, High School Front Entrance Upgrade, the Removal of Flooring in the Middle School and the Administration Building Parking Lot Asphalt Replacement. As of June 30, 2016, the restricted fund balance amount was $715,000.00.

Debt Service Fund - In accordance with N.J.A.C. 6A:23A-8.6, a district board of education shall appropriate annually all debt service fund balances in the budget certified for taxes unless expressly authorized and documented by the voters in a bond referendum. As a result, the School District has $161,367.33 of debt service fund balance at June 30, 2016. $161,367.00 of the restricted reserve balance has been designated for utilization in the 2016-2017 Budget.

Permanent Fund - Other Purposes - The School District was the beneficiary of a distribution from an estate. In accordance with the terms of the distribution, any interest income derived from permanent fund principal is to be used solely for student scholarships. As of June 30, 2016, the restricted fund balance amount was $180.45.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017 $2,235,785.88 of general fund balance at June 30, 2016. The School District has also appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017, $125,719.66 of general fund balance at June 30, 2016, resulting from the Special Education Medicaid Initiative (SEMI) reimbursement received during the current fiscal year for reimbursement of previous fiscal year expenditures. In addition, $82,715.47 of assigned fund balance from SEMI reimbursement has not been assigned to a budget year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2016, the general fund balance deficit of $2,298,567.38 was unassigned.

Note 21: FUND BALANCES (CONT'D)

UNASSIGNED (CONT'D)

Special Revenue Fund - As of June 30, 2016, the fund balance of the special revenue fund was a deficit of $47,404.96, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in note 20, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of $47,404.96 is less than the last state aid payment.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

PARKER McCAY

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July 17, 2018

The Board of Education of the Township of Pennsauken,
in the County of Camden, New Jersey
1695 Hylton Road
Pennsauken, New Jersey

RE: $35,669,000 THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN, IN THE COUNTY OF CAMDEN, NEW JERSEY, SCHOOL BONDS, SERIES 2018

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Bonds") by The Board of Education of the Township of Pennsauken, County of Camden, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board).

The School District is issuing the Bonds pursuant to: (i) Chapter 24 of Title 18A of the New Jersey ("State") Statutes, as amended and supplemented ("School Bond Law"); and (ii) a resolution duly adopted by the Board on May 14, 2018 ("Resolution"). The Bonds are authorized by a proposal adopted by the Board on February 8, 2018 ("Proposal") and approved by the voters of the School District at a special election held on March 13, 2018.

The Bonds are dated their date of delivery and mature on July 15 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the rates per annum below, payable semi-annually on January 15 and July 15, commencing July 15, 2019, in each year until maturity or earlier redemption.

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2020	$1,274,000	1.500%	2030	$1,925,000	3.000%
2021	1,350,000	3.000	2031	2,000,000	3.000
2022	1,405,000	3.000	2032	2,075,000	3.125
2023	1,465,000	3.000	2033	2,150,000	3.250
2024	1,515,000	3.000	2034	2,240,000	3.375
2025	1,570,000	3.000	2035	2,325,000	3.500
2026	1,625,000	3.000	2036	2,415,000	3.500
2027	1,700,000	3.000	2037	2,500,000	4.000
2028	1,770,000	3.000	2038	2,525,000	4.000
2029	1,840,000	3.000			

The Bonds are issued in fully registered book-entry-only form without coupons and are subject to redemption prior to their stated maturity dates on the terms and conditions set forth therein.

The Bonds are being issued to provide funds which will be used to: (i) permanently finance the costs of the capital improvements set forth in the Proposal, for which obligations have been authorized, but not yet issued; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State, the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and the School Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Resolution, a certification of the officials of the School District having responsibility for issuing the Bonds given pursuant to the Code ("Non-Arbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, certifications, instruments and opinions examined.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Bonds are legal, valid and binding obligations of the School District enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Bonds, the School District has the power and is obligated, to the extent payment is not otherwise provided, to levy *ad valorem* taxes upon all taxable real property within the School District without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations..

3. Interest on the Bonds will not be includible for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Bonds received or accrued by

corporations with tax years beginning prior to January 1, 2018 that own the Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive "investment" income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the School District that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the School District to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The School District has ***not*** designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Owners of the Bonds should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

4. Interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

This is only an opinion letter and not a warranty or guaranty of the matters discussed above.

This letter is being provided solely for the benefit of the School District and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this 17th day of July, 2018 by and between the Board of Education of the Township of Pennsauken, County of Camden, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board) and Phoenix Advisors, LLC ("Dissemination Agent"). This Disclosure Agreement is entered into in connection with the issuance and sale by the School District of its School Bonds, Series 2018, in the aggregate principal amount of $35,669,000 ("Bonds").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 ("Exchange Act"), as it may be amended and supplemented from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms not otherwise defined herein shall, for purposes of this Disclosure Agreement, have the following meanings:

"**Annual Report**" shall mean the School District's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"**Business Day**" shall mean any day other than a Saturday, Sunday or a day on which the School District or the Dissemination Agent is authorized by law or contract to remain closed.

"**Continuing Disclosure Information**" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"**EMMA**" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"**National Repository**" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC as a repository for purposes of the Rule.

"**Opinion of Counsel**" shall mean a written opinion of counsel expert in federal securities law acceptable to the School District.

"**SEC Release**" shall mean Release No. 34-59062, of the SEC, dated December 5, 2008.

SECTION 3. <u>Provision of Annual Report</u>.

(a) The School District shall not later than 210 days after the end of its fiscal year (currently June 30) during which any of the Bonds remain outstanding provide to the Dissemination Agent, the School District's Annual Report prepared for the preceding fiscal year of the School District (commencing for the fiscal year ending June 30, 2018). Each Annual Report provided to the Dissemination Agent by the School District shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) The Dissemination Agent, promptly (within ten (10) Business Days) after receiving the Annual Report from the School District, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the School District certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided to the National Repository.

(c) If the School District fails to provide the Annual Report to the Dissemination Agent by the dates required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the School District advising of such failure. Whether or not such notice is given or received, if the School District thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice to the National Repository in substantially the form attached as Exhibit "A" hereto.

SECTION 4. <u>Contents of Annual Report</u>. Annual Report shall mean: (i) the School District's annual financial statements, substantially in the form set forth in Appendix B to the Official Statement dated June 26, 2018, audited by an independent certified public accountant, provided that the annual audited financial statements of the School District may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the School District are included in the Annual Report; and (ii) the general financial information and operating data of the School District consistent with the information set forth in Appendix A to the Official Statement. Each annual audited financial statement will conform to generally accepted accounting principles applicable to governmental units or will be prepared in accordance with the standards of the Governmental Accounting Standards Board and requirements of the New Jersey Department of Education as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

SECTION 5. <u>Reporting of Significant Events</u>.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to the rights of Bondholders, if material;

(8) Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The School District shall within ten (10) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified in clauses (2), (7), (8), (10), (13) or (14) of subsection (a) of this Section 5, the School District may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the School District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the School District.

SECTION 6. <u>Termination of Disclosure Agreement</u>. This Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the School District is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the School District and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an Opinion of Counsel) is: (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the School District, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of Bondholders. The School District shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default and Remedies. In the event of a failure of the School District to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Bondholder may (and, at the written request of Bondholders of at least twenty-five percent (25%) of the outstanding Bonds and provision of indemnity and security for expenses satisfactory to it, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the School District to comply with this Disclosure Agreement shall be an action to compel performance. A failure of the School District to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Bonds.

SECTION 10. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the School District:

The Board of Education of the Township of Pennsauken,
in the County of Camden, New Jersey
1695 Hylton Road
Pennsauken, New Jersey 08110
Attention: Noreen Boston,
Business Administrator/Board Secretary

(ii) If to the Dissemination Agent:

Phoenix Advisors, LLC
4 West Park Street
Bordentown, New Jersey 08505
Attention: Robbi S. Acampora, Managing Director

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 11 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School District, the Dissemination Agent and the Bondholders, and nothing herein contained shall confer any right upon any other person.

SECTION 12. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 13. Compensation. The School District shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 14. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the School District or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF PENNSAUKEN, IN THE COUNTY OF CAMDEN, NEW JERSEY

By: _____
NOREEN BOSTON,
Business Administrator/Board Secretary

PHOENIX ADVISORS, LLC,
as Dissemination Agent

By: _____
SHERRY L. TRACEY, Senior Managing Director

EXHIBIT A
NOTICE TO THE NATIONAL REPOSITORY OF
FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: The Board of Education of the Township of Pennsauken, in the County of Camden, New Jersey

Name of Bond Issues Affected: $35,669,000 The Board of Education of the Township of Pennsauken, in the County of Camden, New Jersey, School Bonds, Series 2018

Date of Issuance of the Affected Bond issue: July 17, 2018

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement dated July 17, 2018 between the School District and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by _____.]

Dated:

PHOENIX ADVISORS, LLC,
Dissemination Agent

cc: School District