

OFFICIAL STATEMENT DATED SEPTEMBER 13, 2018

NEW ISSUE
(Book-Entry-Only)

RATINGS: (See "RATINGS" herein)

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the School District (as hereinafter defined) 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 For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations.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.

\$39,760,000

**THE BOARD OF EDUCATION OF THE
NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF BURLINGTON, NEW JERSEY
SCHOOL BONDS, SERIES 2018
(Callable)**

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover hereof

The \$39,760,000 aggregate principal amount of School Bonds, Series 2018 ("Bonds"), of The Board of Education of the Northern Burlington County Regional School District, in the County of Burlington, 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 March 1 and September 1, commencing on September 1, 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 August 13, 2018. The Bonds are authorized by a proposal adopted by the Board on January 31, 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.

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 served 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, Stephen J. Mushinski, 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 September 27, 2018.

BofA Merrill Lynch

\$39,760,000
THE BOARD OF EDUCATION OF THE
NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF BURLINGTON, NEW JERSEY
SCHOOL BONDS, SERIES 2018
(CALLABLE)

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS AND CUSIP NUMBERS**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers</u> *
2020	\$850,000	3.000%	1.880%	664822GY3
2021	875,000	3.000	2.000	664822GZ0
2022	900,000	3.000	2.110	664822HA4
2023	925,000	3.000	2.230	664822HB2
2024	950,000	3.000	2.350	664822HC0
2025	1,200,000	3.000	2.450	664822HD8
2026	1,250,000	3.000	2.550**	664822HE6
2027	1,275,000	3.000	2.630**	664822HF3
2028	1,300,000	3.000	2.710**	664822HG1
2029	1,325,000	3.000	2.790**	664822HH9
2030	1,350,000	3.000	2.950**	664822HJ5
2031	1,585,000	3.000	3.100	664822HK2
2032	1,575,000	3.125	3.240	664822HL0
2033	1,550,000	3.250	3.340	664822HM8
2034	1,550,000	3.250	3.390	664822HN6
2035	1,550,000	3.250	3.460	664822HP1
2036	1,550,000	3.375	3.520	664822HQ9
2037	1,550,000	3.375	3.600	664822HR7
2038	1,550,000	3.375	3.640	664822HS5
2039	1,550,000	4.000	3.620**	664822HT3
2040	1,550,000	4.000	3.630**	664822HU0
2041	1,500,000	4.000	3.650**	664822HV8
2042	1,500,000	4.000	3.670**	664822HW6
2043	1,500,000	4.000	3.690**	664822HX4
2044	1,500,000	4.000	3.700**	664822HY2
2045	1,500,000	4.000	3.710**	664822HZ9
2046	1,500,000	4.000	3.720**	664822JA2
2047	1,500,000	4.000	3.730**	664822JB0
2048	1,500,000	4.000	3.740**	664822JC8

* Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

** Priced to the first optional redemption date of September 1, 2025.

**THE BOARD OF EDUCATION OF THE
NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF BURLINGTON, NEW JERSEY**

MEMBERS OF THE BOARD

Kevin Zimmer, President
Gerry Spence, Vice President
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Marcial Mojena
Lt. Col. Motley
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Megan Riffle
James Specca
Matt Varava

SUPERINTENDENT

Dr. James Sarruda

SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY

Richard J. Kaz, Jr.

BOARD AUDITOR

Holman Frenia Allison, P.C.
Medford, New Jersey

SOLICITOR

Parker McCay P.A.
Mount Laurel, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

Parker McCay P.A.
Mount Laurel, 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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APPENDIX C:	FORM OF BOND COUNSEL’S OPINION
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OFFICIAL STATEMENT

Relating to

\$39,760,000

**THE BOARD OF EDUCATION OF THE
NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF BURLINGTON, 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 Northern Burlington County Regional School District, in the County of Burlington, 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 \$39,760,000 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 August 13, 2018 (“Resolution”). The Bonds are authorized by a proposal adopted by the Board on January 31, 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: (i) various capital improvements at the Northern Burlington County Regional High School complex including, but not limited to, the construction of a new addition connecting the “east” and “west” buildings of the High School complex, renovation of and improvements to instructional space, including new science labs, agriculture and media instructional space and technology labs, HVAC, electrical and plumbing upgrades, improvements and upgrades to restrooms bringing such facilities in compliance with the Americans With Disability Act and other requirements, roof renovation and replacement; and (ii) the completion of such other work and improvements, and acquisition of furniture, fixtures and equipment as may be necessary therefor or related to the projects set forth above (collectively, the “Project”).

The School District is authorized to expend an amount not to exceed \$39,760,000 for the Project (of which \$22,461,254 represents eligible costs (“Final Eligible Costs”), as determined by the

Commissioner of Education), for which the State has agreed to pay approximately 46.2% of the debt service on the Bonds (including both principal and interest) issued to finance the Final Eligible Costs of the Project.

THE BONDS

General Description

The Bonds will be issued in the aggregate principal amount of \$39,760,000, will be dated the date of delivery and will bear interest from that date. Interest on the Bonds will be payable semiannually on March 1 and September 1 (“Interest Payment Dates”), commencing September 1, 2019, in each year until maturity or earlier redemption. The Bonds will mature on September 1 in the years and in the principal amounts, all as shown on the inside front 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 fifteenth (15th) day of the calendar month immediately preceding 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 System¹

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

¹ Source: The Depository Trust Company

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.

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 September 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing on and after September 1, 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 September 1, 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 additionally 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 (“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.

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State (“SFRA Modification Law”). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a seven-year transition period during which funding will be reduced (with the exception of the Board of Education of the City of Jersey City, where the transition period will be five years). For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year.

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. 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 seven (7) through grade twelve (12) school district, the School District can borrow up to three and one-half percent (3.5%) 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 (other than a regional 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). 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

The Board is a ten (10) member board with members elected for staggered three (3) year terms. Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary.

The School District is a regional school district and provides a full range of educational services appropriate to grade seven (7) through grade twelve (12), including regular and special education programs. The School District is coterminous with the boundaries of the Township of Chesterfield ("Chesterfield"), the Township of Mansfield ("Mansfield"), the Township of North Hanover ("North Hanover") and the Township of Springfield ("Springfield", and together with Chesterfield, Mansfield and North Hanover, "Constituent Municipalities"), in the County of Burlington, New Jersey. The School District provides education to its students through two (2) schools, Northern Burlington County Regional Middle School and Northern Burlington County Regional High School.

General information concerning the School District and the Constituent Municipalities, 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 ending June 30, 2017 and 2016. A copy of the 2017 audit prepared by Holman Frenia Allison, P.C., Medford, 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 Stephen J. Mushinski, Esquire, of the law 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 "C" 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 (“Rule”), 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 “D” hereto (“Continuing Disclosure Agreement”).

The Board has previously entered into continuing disclosure undertakings under the Rule. The Board appointed Phoenix Advisors, LLC, Bordentown, New Jersey in January of 2012 to serve as continuing disclosure agent.

UNDERWRITING

The Bonds have been purchased from the School District at a public sale by Merrill Lynch, Pierce, Fenner and Smith Incorporated, New York, New York, as underwriter (“Underwriter”), pursuant to a Certificate of Determination and Award, dated September 13, 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 inside front 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 inside front 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.

Holman Frenia Allison, P.C., Medford, New Jersey, 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 with respect to the financial statements contained herein) and, accordingly, will express no opinion with respect thereto.

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 Richard J. Kaz, Jr., Business Administrator/Board Secretary, at 160 Mansfield Road East, Columbus, New Jersey 08022, (609) 298-3900, ext. 2080, or to the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

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
NORTHERN BURLINGTON COUNTY
REGIONAL SCHOOL DISTRICT IN THE
COUNTY OF BURLINGTON, NEW JERSEY**

**By: /s/ Richard J. Kaz, Jr.
RICHARD J. KAZ, JR.,
Business Administrator/Board Secretary**

Dated: September 13, 2018

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APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE SCHOOL DISTRICT AND THE CONSTITUENT MUNICIPALITIES

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INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

The Northern Burlington Regional School District (the “School District” or the “Board”) is comprised of one (1) regional middle school providing a full-range of educational services appropriate to grade levels seven (7) through eight (8) and one (1) regional high school providing a full-range of educational services appropriate to grade levels nine (9) through twelve (12).

The School District is a Type II limited purpose regional school district that serves the Township of Chesterfield (“Chesterfield”), the Township of Mansfield (“Mansfield”), the Township of North Hanover (“North Hanover”), and the Township of Springfield (“Springfield”) (collectively, the “Constituent Municipalities”). The School District was formed pursuant to Chapter 13 of Title 18A of New Jersey Statutes, which authorizes two or more municipalities to create a regional school district upon the approval of the voters of each of said municipalities. The School District is one of “limited purpose” in that it only operated a middle and high school.

The School District is located in Mansfield in the Columbus section, in the County of Burlington (the “County”), in the central to southern part of the State of New Jersey (the “State”).

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Board Secretary/Business Administrator who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

Description of Facilities

The Board presently operates the following school facilities:

Facility	Construction Date	Grade Level	Student Enrollment (As of 6/30/17)
Middle School	2003	7-8	779
High School	1960	9-12	1,352

Source: Comprehensive Annual Financial Report of the School District

¹ Source: The Board, unless otherwise indicated.

Staff

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Teaching Professionals	164	164	163	158	158
Support Staff	<u>145</u>	<u>145</u>	<u>144</u>	<u>144</u>	<u>144</u>
Total Full & Part Time Employees	<u>309</u>	<u>309</u>	<u>308</u>	<u>301</u>	<u>301</u>

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

The following table presents the historical average daily pupil enrollments for the past five (5) school years.

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2017-2018	2,182
2016-2017	2,089
2015-2016	2,024
2014-2015	2,105
2013-2014	2,063

Source: School District and Comprehensive Annual Financial Report of the School District

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the "Pension System"). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund ("TPAF") and (2) the Public Employee's Retirement System ("PERS"). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the "Division"), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided

the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

Fiscal 2018-19 Budget

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if the school has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If the Board proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2018-19 fiscal year is \$39,731,797. The major sources of revenue are \$20,973,115 from the local tax levy and \$13,395,709 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

As noted, prior to the Board's budget for its 2012-2013 fiscal year, the Board was required to submit its budget for voter approval. The results of the last five budget elections of the Board are as follows:

<u>Budget Year</u>	<u>Amount Raised in Taxes</u>	<u>Budget Amount</u>	<u>Election Result</u>
2018-2019	\$20,973,115	\$39,731,797	N/A
2017-2018	20,561,877	36,193,542	N/A
2016-2017	20,053,384	35,391,446	N/A
2015-2016	18,754,839	34,201,179	N/A
2014-2015	17,983,527	33,237,612	N/A

Source: Annual User-Friendly Budget of the School District and NJ State DOE Website – School Election Results

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2013 through June 30, 2017 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES FOR THE YEARS ENDED JUNE 30:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$20,053,384	\$18,754,839	\$17,983,527	\$17,316,137	\$16,654,619
Other Local Revenue	<u>501,085</u>	<u>630,226</u>	<u>466,369</u>	<u>386,941</u>	<u>411,893</u>
Total revenues-local sources	20,554,469	19,385,065	18,449,896	17,703,078	17,066,512
State Sources	16,266,608	15,771,524	15,277,235	14,932,546	14,974,911
Federal Sources	<u>2,429,769</u>	<u>2,282,081</u>	<u>4,009,145</u>	<u>932,148</u>	<u>1,487,043</u>
Total Revenues	\$39,250,846	\$37,438,670	\$37,736,276	\$33,567,772	\$33,528,466
EXPENDITURES					
General Fund:					
Instruction	\$13,208,371	\$13,076,429	\$12,984,528	\$12,510,009	\$12,240,648
Undistributed Expenditures	23,811,125	22,004,509	21,222,948	20,175,045	19,412,093
Capital Outlay	<u>2,422,101</u>	<u>645,899</u>	<u>1,505,609</u>	<u>1,139,958</u>	<u>1,660,732</u>
Total Expenditures	39,441,597	35,726,837	35,713,085	33,825,012	33,313,473
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(190,751)	1,711,833	2,023,191	(257,240)	214,993
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	235,000	250,000	270,000	0
Transfers in	162,549	50,000	0	179,847	306,740
Transfers out	<u>2,200,000</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(109,182)</u>
Total other financing sources (uses)	2,362,549	185,000	150,000	349,847	197,558
Net Change in Fund Balance	2,171,798	1,896,833	2,173,191	92,607	412,551
Fund Balance, July 1	<u>12,849,610</u>	<u>10,952,777</u>	<u>8,779,586</u>	<u>8,686,979</u>	<u>8,274,428</u>
Fund Balance, June 30	<u>\$15,021,408</u>	<u>\$12,849,610</u>	<u>\$10,952,777</u>	<u>\$8,779,586</u>	<u>\$8,686,979</u>

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes
In Fund Balances on a GAAP basis

Capital Leases

As of June 30, 2017, the Board has capital lease(s) outstanding with payments due through year ending June 30, 2021, totaling \$2,225,026.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2017, the Board has no operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

Short Term Debt

As of June 30, 2017, the Board has no short term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Long Term Debt

The following table outlines the outstanding long term debt of the Board as of June 30, 2017.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$975,000	\$885,753	\$1,860,753
2019	940,000	406,888	1,346,888
2020	940,000	380,050	1,320,050
2021	935,000	342,575	1,277,575
2022	925,000	304,925	1,229,925
2023	910,000	274,675	1,184,675
2024	910,000	230,425	1,140,425
2025	905,000	193,025	1,098,025
2026	705,000	153,275	858,275
2027	695,000	123,325	818,325
2028	690,000	95,525	785,525
2029	680,000	69,650	749,650
2030	665,000	45,850	710,850
2031	<u>645,000</u>	<u>22,575</u>	<u>667,575</u>
TOTALS	<u>\$11,520,000</u>	<u>\$3,528,516</u>	<u>\$15,048,516</u>

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 3.5% of the average equalized valuation for the past three years (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations”). The following is a summation of the Board’s debt limitations as of June 30, 2017:

Average Equalized Real Property Valuation (2015, 2016, and 2017)	\$2,781,781,497
School District Debt Analysis	
Permitted Debt Limitation (3.5% of AEVP)	97,362,352
Less: Bonds and Notes Authorized and Outstanding	<u>11,520,000</u>
Remaining Limitation of Indebtedness	\$85,842,352
Percentage of Net School Debt to Average Equalized Valuation	0.41%

Source: Comprehensive Annual Financial Report of the School District

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INFORMATION REGARDING THE TOWNSHIP OF CHESTERFIELD¹

The following material presents certain economic and demographic information of the Township of Chesterfield (the “Township”), in the County of Burlington (the “County”), State of New Jersey (the “State”).

General Information

The Township encompasses approximately twenty-two (22) square miles in the northern portion of the County, approximately ten (10) miles south of Trenton and thirty (30) miles north of Philadelphia and Camden. It is primarily an agricultural region, bordered by Hamilton Township to the north, Bordentown Township to the west, Mansfield and Springfield Townships to the south and North Hanover Township to the east.

Three historic villages are located within the Township: Sykesville, Chesterfield and Crosswicks. The majority of the first permanent settlers in the Township were Quakers, who arrived in 1677 and settled in and around Crosswicks, the oldest of the three villages.

Major highway routes provide the primary transportation links with other parts of the state and nation. The New Jersey turnpike traverses the Township. State highway routes 130 and 206, along with Interstate Route 295, are easily accessible from the Township.

Airport passenger service is available at Philadelphia International, Northeast Philadelphia and Newark Airports. Train service is available through NJ Transit in nearby Hamilton Township allowing residents to commute to both Philadelphia and New York for both business and pleasure.

Agriculture and horse farming are the predominant land uses in the Township. Preservation of farmland is very important to the Master Plan of the Township. The Township currently has 4,575 acres of farmland preserved, representing one-third of the total land in the Township.

Form of Government

The Township was incorporated by Special Act of Legislature in 1798 and currently operates under the Township Committee form of government. The Township Committee discharges both the legislative and executive functions. The Township Committee is comprised of three Committee members, who are elected on a partisan basis for overlapping three-year terms. The Committee has traditionally selected the committee member serving the last year of such member's three-year term as Mayor. The Mayor is also charged with the responsibility of Chief Law Enforcement Officer. The selection of Mayor is made on the first day of January following the election.

¹ Source: The Township, unless otherwise indicated.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township’s share of pension costs in 2017, which is based upon the annual billings received from the State, amounted to \$81,125 for PERS and \$160,021 for PFRS.

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² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2017	2,821	2,697	124	4.4%
2016	2,805	2,676	129	4.6%
2015	2,807	2,667	140	5.0%
2014	2,824	2,656	168	5.9%
2013	2,887	2,682	205	7.1%
<u>County</u>				
2017	234,179	224,582	9,597	4.1%
2016	233,255	222,869	10,386	4.5%
2015	232,623	220,189	12,434	5.3%
2014	230,681	215,869	14,812	6.4%
2013	234,288	216,371	17,917	7.6%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2016)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$142,594	\$80,034	\$72,093
Median Family Income	148,033	96,430	88,335
Per Capita Income	36,592	38,137	36,582

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	7,621	-1.01%	450,236	0.33%	8,958,013	1.89%
2010	7,699	29.29	448,734	5.98	8,791,894	4.49
2000	5,955	15.59	423,394	7.17	8,414,350	8.85
1990	5,152	33.23	395,066	8.97	7,730,188	4.96
1980	3,867	21.22	362,542	12.20	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Colonial Pipeline Co.	\$4,202,100	0.55%
Historical Old York Country Club	3,000,000	0.39%
Mekwin, LLC	1,921,700	0.25%
Taxpayer 1	1,420,300	0.18%
Taxpayer 2	1,190,400	0.15%
Taxpayer 3	1,107,400	0.14%
Taxpayer 4	999,000	0.13%
Taxpayer 5	990,400	0.13%
Crosbie Enterprises	982,100	0.13%
Transcontinental Gas Pipeline Corp.	936,500	0.12%
Total	<u>\$16,749,900</u>	<u>2.18%</u>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017	\$22,703,534	\$22,451,951	98.89%
2016	21,419,997	21,109,685	98.55%
2015	19,912,446	19,568,619	98.27%
2014	18,332,062	18,019,405	98.29%
2013	17,096,481	16,617,881	97.20%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017	\$20,422	\$219,530	\$239,951	1.06%
2016	1,521	254,915	256,436	1.20%
2015	0	303,995	303,995	1.53%
2014	49,377	254,769	304,146	1.66%
2013	33,587	286,292	319,879	1.87%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$53,000
2016	53,000
2015	645,500
2014	302,800
2013	302,800

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Township residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>	<u>Fire District #1</u>	<u>Fire District #2</u>
2017	\$0.309	\$1.453	\$0.636	\$0.414	\$2.812	\$0.104	\$0.087
2016	0.263	1.429	0.605	0.407	2.704	0.104	0.087
2015	0.224	1.345	0.593	0.413	2.575	0.103	0.086
2014	0.177	1.267	0.602	0.372	2.418	0.102	0.083
2013	0.129	1.156	0.575	0.378	2.238	0.100	0.079

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017	\$767,130,300	\$792,653,751	96.78%	\$1,196,918	\$793,850,669
2016	746,281,700	758,339,295	98.41	1,179,510	759,518,805
2015	729,727,420	725,375,169	100.60	1,197,383	726,572,552
2014	723,187,750	720,521,819	100.37	1,189,657	721,711,476
2013	724,872,250	708,713,580	102.28	1,373,508	710,087,088

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$12,389,700	\$666,872,100	\$66,763,000	\$20,503,900	\$289,700	\$311,900	\$767,130,300
2016	10,765,800	647,224,400	67,209,700	20,480,200	289,700	311,900	746,281,700
2015	12,749,620	627,626,300	67,354,100	21,435,700	249,800	311,900	729,727,420
2014	12,679,850	620,147,500	67,980,700	22,067,800	0	311,900	723,187,750
2013	15,007,250	615,693,700	68,925,500	24,933,900	0	311,900	724,872,250

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018*</u>
Fund Balance Utilized	\$1,415,000	\$1,130,000	\$1,297,000	\$1,300,000	\$1,350,000
Miscellaneous Revenues	985,407	1,108,886	1,111,875	1,030,426	1,003,260
Receipts from Delinquent Taxes	270,000	270,000	250,000	250,000	200,000
Amount to be Raised by Taxation	<u>1,284,978</u>	<u>1,643,821</u>	<u>1,969,125</u>	<u>2,376,503</u>	<u>2,579,140</u>
Total Revenue:	<u>\$3,955,385</u>	<u>\$4,152,707</u>	<u>\$4,628,000</u>	<u>\$4,956,929</u>	<u>\$5,132,400</u>
<u>Appropriations</u>					
General Appropriations	\$2,599,193	\$2,702,132	\$2,838,922	\$2,986,728	\$3,143,243
Operations (Excluded from CAPS)	695,924	662,575	874,078	854,201	934,157
Deferred Charges and Statutory Expenditur	1,267	0	0	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	0	100,000	200,000	25,000	25,000
Municipal Debt Service	209,000	210,000	215,000	591,000	530,000
Reserve for Uncollected Taxes	<u>450,000</u>	<u>478,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Total Appropriations:	<u>\$3,955,385</u>	<u>\$4,152,707</u>	<u>\$4,628,000</u>	<u>\$4,956,929</u>	<u>\$5,132,400</u>

*As Introduced
Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$3,635,624	\$1,350,000
2016	3,039,216	1,003,260
2015	2,594,202	1,297,000
2014	2,415,124	1,130,000
2013	2,605,539	1,415,000

Source: Annual Audit Reports of the Township

Sewer Utility Operating Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Sewer Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2017	\$2,670,890	\$302,600
2016	2,478,885	302,600
2015	2,649,622	356,675
2014	2,713,075	244,500
2013	2,738,805	195,800

Source: Annual Audit Reports of the Township

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Township Indebtedness as of December 31, 2017

General Purpose Debt

Serial Bonds	\$8,170,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	1,319,721
Other Bonds, Notes and Loans	0
Total:	<u>\$9,489,721</u>

Local School District Debt

Serial Bonds	\$35,135,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$35,135,000</u>

Regional School District Debt

Serial Bonds	\$3,911,145
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	146,010
Total:	<u>\$4,057,154</u>

Self-Liquidating Debt

Serial Bonds	\$1,551,448
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	58,360
Other Bonds, Notes and Loans	0
Total:	<u>\$1,609,808</u>

TOTAL GROSS DEBT

\$50,291,683

Less: Statutory Deductions	
General Purpose Debt	\$601,100
Local School District Debt	18,969,735
Regional School District Debt	4,057,154
Self-Liquidating Debt	1,609,808
Total:	<u>\$25,237,798</u>

TOTAL NET DEBT

\$25,053,886

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2017)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$35,135,000	100.00%	\$35,135,000
Regional School District	14,866,000	27.29%	4,057,154
County	710,395,975	1.69%	<u>11,991,213</u>
Net Indirect Debt			\$51,183,367
Net Direct Debt			<u>25,053,886</u>
Total Net Direct and Indirect Debt			<u>\$76,237,253</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$758,789,405
Permitted Debt Limitation (3 1/2%)	26,557,629
Less: Net Debt	<u>25,053,886</u>
Remaining Borrowing Power	<u>\$1,503,743</u>
Percentage of Net Debt to Average Equalized Valuation	3.302%
 Gross Debt Per Capita based on 2010 population of 7,699	 \$6,532
Net Debt Per Capita based on 2010 population of 7,699	\$3,254

Source: Annual Debt Statement of the Township

³ Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

INFORMATION REGARDING THE TOWNSHIP OF MANSFIELD¹

The following material presents certain economic and demographic information of the Township of Mansfield (the “Township”) County of Burlington (the “County”) in the State of New Jersey (the “State”).

Location and Character

The Township is located in the center of New Jersey, approximately 15 miles from Trenton, the capital of New Jersey. The Township is easily accessible to the New Jersey Turnpike, U. S. Interstate 295, New Jersey Routes 130, 206 and 68, to facilitate travel to Philadelphia, thirty miles south, and to New York City, sixty miles north. Fort Dix and McGuire Air Force Base are within a fifteen-mile radius via Route 68 in the Township. The Atlantic Ocean shore points and resort areas are within easy traveling distance by the New Jersey Garden State Parkway.

History of Township

The Township, established as a constabulary in 1688, was incorporated in 1798. It is in the northeast part of Burlington County in the State of New Jersey. It is bounded north and northeast by Chesterfield Township, south by Springfield Township and southeast by Florence Township. The soil is generally sandy loam, land level is flat, and climate is mild. The Township consists of over twenty-three square miles and is a predominantly farming community. There are still residents in this generation who bear the name of the founding fathers.

The Township's original governing body consisted of three elected Township Committee persons, which changed in 1995 to a five-member Committee, each serving alternating three year terms. The Mayor is designated by the five-member committee and each Committee member is selected to be a director of the various departments. The Municipal Clerk monitors the daily administrative responsibilities.

Township Services

Fire Protection and Rescue Squad

The Franklin Fire Company No. 1 and the Mansfield Township Ambulance Corps are staffed by volunteers and are supported financially by the Township and through general funding raising efforts. There are 12 certified EMT members on the ambulance squad. The Fire Company and Ambulance Squad are constantly taking CPR and EMT classes.

Police

The Police Department consists of twelve members operating from the Old Town Hall building on Atlantic Avenue in the Village of Columbus. The Department personnel consist of one Police Chief and eleven officers. The Township is dispatched by Burlington County

¹ Source: The Township, unless otherwise indicated.

communications. The New Jersey State Police service the major highways that traverse the Township.

Public Works

The Township has six full-time employees and uses part-time employees as needed, who are responsible for refuse collection, recycling, building maintenance and park and playground upkeep.

Parks and Recreation

Mansfield Community Park is a 40-acre park located in the heart of Columbus off East Main Street. Twenty acres have been developed into a very popular and highly utilized gathering place for all Mansfield residents including regulation youth baseball and softball fields, a regulation Babe Ruth baseball field and outdoor batting cage. A paved 6/10 mile walk path, two regulation soccer fields, outdoor basketball and tennis courts, shuffle board and horse shoe pit, large children's playground, and parking for about 100 vehicles are also included on the property. Plans are ongoing to construct a park support building with concession area, bathrooms, large public meeting room, and storage area to support township and recreation functions. The undeveloped 20 acres is contemplated to include an extension of the walking path with fitness course through a wooded area at the southeast corner of the property.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

Pension Information²

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2017	3,933	3,777	156	4.0%
2016	3,917	3,748	169	4.3%
2015	3,882	3,688	194	5.0%
2014	3,839	3,611	228	5.9%
2013	3,894	3,615	279	7.2%
<u>County</u>				
2017	234,179	224,582	9,597	4.1%
2016	233,255	222,869	10,386	4.5%
2015	232,623	220,189	12,434	5.3%
2014	230,681	215,869	14,812	6.4%
2013	234,288	216,371	17,917	7.6%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.

Income (as of 2016)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$89,830	\$80,034	\$72,093
Median Family Income	120,214	96,430	88,335
Per Capita Income	43,920	38,137	36,582

Source: US Bureau of the Census, 2015 American Community Survey 5-Year Estimates

Population

The following tables summarize population history for the Township, the County, and the State.

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2016 Estimate	8,595	0.60%	450,236	0.33%	8,958,013	1.89%
2010	8,544	67.86	448,734	5.98	8,791,894	4.49
2000	5,090	31.39	423,394	7.17	8,414,350	8.85
1990	3,874	53.55	395,066	8.97	7,730,188	4.96
1980	2,523	-2.85	362,542	12.20	7,365,001	2.75
1970	2,597	--	323,132	--	7,168,164	--

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
N.A.D.E	\$38,270,600	3.88%
Homestead Plaza, II	3,752,000	0.38%
Vanco USA, LLC	3,574,700	0.36%
Transcontinental Gas & Pipeline Corp	2,772,400	0.28%
MLC Developers, LLC	2,756,200	0.28%
Cubalmart, LP	2,713,000	0.28%
Generation Builders, Inc.	2,225,000	0.23%
Individual Taxpayer 1	2,306,200	0.23%
Individual Taxpayer 2	2,130,200	0.22%
Individual Taxpayer 3	<u>1,938,800</u>	<u>0.20%</u>
Total	<u>\$62,439,100</u>	<u>6.33%</u>

Source: Tax Assessor of the Township

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017	\$30,776,203	\$30,329,601	98.55%
2016	30,822,594	30,416,080	98.68%
2015	29,506,620	29,231,417	99.07%
2014	28,268,677	27,892,381	98.67%
2013	27,890,736	27,595,123	98.94%

Source: Comprehensive Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017	\$125,179	\$379,397	\$504,576	1.64%
2016	125,199	326,473	451,672	1.53%
2015	154,491	224,553	379,044	1.34%
2014	119,637	286,022	405,659	1.45%
2013	100,687	253,358	354,045	1.32%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$157,588
2016	157,588
2015	94,100
2014	94,100
2013	94,100

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>Local School</u>	<u>Regional School</u>	<u>Total</u>
2017	\$0.471	\$0.496	\$1.124	\$1.025	\$3.116
2016	0.471	0.498	1.110	1.039	3.118
2015	0.465	0.491	1.118	1.012	3.086
2014	0.441	0.454	1.098	0.965	2.958
2013R	0.430	0.472	1.080	0.945	2.927

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017	\$985,054,800	\$1,201,725,997	81.97%	\$1,339,354	\$1,203,065,351
2016	983,279,900	1,198,537,177	82.04	1,344,984	1,199,882,161
2015	952,306,400	1,161,349,268	82.00	1,444,026	1,162,793,294
2014	949,933,700	1,126,982,679	84.29	1,421,810	1,128,404,489
2013R	947,974,800	1,125,459,812	84.23	2,048,817	1,127,508,629

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$11,139,000	\$848,996,300	\$38,775,800	\$80,959,700	\$4,021,200	\$1,162,800	\$985,054,800
2016	12,063,900	845,779,100	39,079,800	81,173,100	4,021,200	1,162,800	983,279,900
2015	15,112,000	812,902,800	38,905,600	80,181,000	4,021,200	1,183,800	952,306,400
2014	16,255,300	808,394,600	39,505,100	80,585,200	4,021,200	1,172,300	949,933,700
2013R	16,689,700	805,504,200	40,022,600	80,585,800	4,021,200	1,151,300	947,974,800

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$1,000,000	\$936,000	\$650,000	\$635,000	\$545,000
Miscellaneous Revenues	1,738,705	1,801,086	1,774,485	1,914,485	1,941,610
Receipts from Delinquent Taxes	250,000	260,000	263,000	304,000	370,000
Amount to be Raised by Taxation	<u>4,196,115</u>	<u>4,440,025</u>	<u>4,644,060</u>	<u>4,655,299</u>	<u>4,756,892</u>
Total Revenue:	<u>\$7,184,820</u>	<u>\$7,437,111</u>	<u>\$7,331,545</u>	<u>\$7,508,784</u>	<u>\$7,613,502</u>
<u>Appropriations</u>					
General Appropriations	\$4,976,058	\$5,116,219	\$5,038,610	\$5,154,435	\$5,286,672
Operations (Excluded from CAPS)	141,000	168,582	139,599	157,275	81,500
Deferred Charges and Statutory Expenditures	0	0	0	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	5,000	35,000	10,000	3,000	17,500
Municipal Debt Service	1,615,438	1,677,216	1,775,710	1,781,170	1,787,170
Reserve for Uncollected Taxes	<u>447,324</u>	<u>440,095</u>	<u>367,626</u>	<u>412,904</u>	<u>440,660</u>
Total Appropriations:	<u>\$7,184,820</u>	<u>\$7,437,111</u>	<u>\$7,331,545</u>	<u>\$7,508,784</u>	<u>\$7,613,502</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$566,305	\$545,000
2016	691,167	635,000
2015	791,864	650,000
2014	1,114,994	936,000
2013	1,243,774	1,000,000

Source: Annual Audit Reports of the Township

Sewer Utility Operating Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Sewer Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$23,571	\$0
2016	17,898	0
2015	4,109	0
2014	9,479	0
2013	3,574	0

Source: Annual Audit Reports of the Township

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Township Indebtedness as of December 31, 2017

General Purpose Debt

Serial Bonds	\$9,056,000
Bond Anticipation Notes	5,117,110
Bonds and Notes Authorized but Not Issued	633,850
Other Bonds, Notes and Loans	0
Total:	<u>\$14,806,960</u>

Local School District Debt

Serial Bonds	\$4,677,888
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$4,677,888</u>

Regional School District Debt

Serial Bonds	\$4,919,074
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$4,919,074</u>

Self-Liquidating Debt

Serial Bonds	\$165,000
Bond Anticipation Notes	74,050
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$239,050</u>

TOTAL GROSS DEBT

\$24,642,972

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	4,677,888
Regional School District Debt	4,919,074
Self-Liquidating Debt	239,050
Total:	<u>\$9,836,012</u>

TOTAL NET DEBT

\$14,806,960

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2017)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$4,677,888	100.00%	\$4,677,888
Regional School District	11,439,707	43.00%	4,919,074
County	710,395,975	2.56%	<u>18,172,451</u>
Net Indirect Debt			\$27,769,413
Net Direct Debt			<u>14,806,960</u>
Total Net Direct and Indirect Debt			<u>\$42,576,373</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$1,187,204,147
Permitted Debt Limitation (3 1/2%)	41,552,145
Less: Net Debt	<u>14,806,960</u>
Remaining Borrowing Power	<u>\$26,745,185</u>
Percentage of Net Debt to Average Equalized Valuation	1.247%
Gross Debt Per Capita based on 2010 population of 8,595	\$2,867
Net Debt Per Capita based on 2010 population of 8,595	\$1,723

Source: Annual Debt Statement of the Township

³ Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

INFORMATION REGARDING THE TOWNSHIP OF NORTH HANOVER¹

The following material presents certain economic and demographic information of the Township of North Hanover (“the Township”), in the County of Burlington (the “County”), State of New Jersey (the “State”).

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2017	3,070	2,919	151	4.9%
2016	3,062	2,896	166	5.4%
2015	3,073	2,866	207	6.7%
2014	3,048	2,824	224	7.3%
2013	3,084	2,835	249	8.1%
<u>County</u>				
2017	234,179	224,582	9,597	4.1%
2016	233,255	222,869	10,386	4.5%
2015	232,623	220,189	12,434	5.3%
2014	230,681	215,869	14,812	6.4%
2013	234,288	216,371	17,917	7.6%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

¹ Source: The Township, unless otherwise indicated.

Income (as of 2016)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$55,129	\$80,034	\$72,093
Median Family Income	62,409	96,430	88,335
Per Capita Income	23,514	38,137	36,582

Source: US Bureau of the Census

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

	<u>Township</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2016 Estimate	7,630	-0.63%	450,236	0.33%	8,958,013	1.89%
2010	7,678	4.51	448,734	5.98	8,791,894	4.49
2000	7,347	-26.49	423,394	7.17	8,414,350	8.85
1990	9,994	10.43	395,066	8.97	7,730,188	4.96
1980	9,050	-8.20	362,542	12.20	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Spartan Village	\$6,936,800	1.62%
Crosnest @ Park Farm	4,210,900	0.99%
Hanover Partners - RiteAid	3,241,600	0.76%
Hanover Village Assoc., LLC	3,139,100	0.74%
Matrix Hanover Golf, LLC	3,124,000	0.73%
California Village	3,063,400	0.72%
North Mill Associates	2,786,700	0.65%
South Mill Apartments	2,711,100	0.63%
Store and Lock Self Storage	2,589,000	0.61%
Maplewood Apartments	<u>2,322,200</u>	<u>0.54%</u>
Total	<u>\$34,124,800</u>	<u>7.99%</u>

Source: Comprehensive Annual Financial Report of the School District & Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017U	\$9,039,225	\$8,871,303	98.14%
2016	8,915,831	8,743,769	98.07%
2015	8,839,494	8,680,083	98.20%
2014	8,391,571	8,227,574	98.05%
2013	7,893,876	7,681,550	97.31%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017U	\$24,628	\$167,785	\$192,413	2.13%
2016	21,699	159,737	\$181,436	2.03%
2015	19,915	136,211	\$156,126	1.77%
2014	66,173	129,291	\$195,464	2.33%
2013	69,009	184,029	\$253,038	3.21%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017U	\$29,710
2016	29,710
2015	200,010
2014	3,410
2013	3,410

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Township residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2017	\$0.324	\$0.659	\$0.695	\$0.401	\$2.079
2016	0.324	0.649	0.697	0.403	2.073
2015	0.354	0.641	0.682	0.396	2.073
2014	0.316	0.600	0.672	0.364	1.952
2013	0.293	0.546	0.653	0.381	1.873

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017	\$426,080,350	\$424,340,554	100.41%	\$945,717	\$425,286,271
2016	424,369,303	419,627,512	101.13	941,379	420,568,891
2015	421,308,544	415,901,820	101.30	924,253	416,826,073
2014	419,279,544	398,592,589	105.19	924,253	399,516,842
2013	418,733,612	407,804,453	102.68	1,144,222	408,948,675

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$7,798,300	\$295,368,500	\$46,732,400	\$62,579,950	\$327,800	\$13,273,400	\$426,080,350
2016	7,865,100	294,839,000	47,284,453	60,868,050	327,800	13,184,900	424,369,303
2015	7,884,400	295,339,300	46,462,944	58,109,200	327,800	13,184,900	421,308,544
2014	8,112,300	297,721,500	47,376,944	52,680,900	327,800	13,060,100	419,279,544
2013	8,135,900	297,498,400	47,304,962	52,406,450	327,800	13,060,100	418,733,612

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. This summary should be used in conjunction with the tables from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$462,750	\$515,250	\$510,000	\$410,000	\$458,000
Miscellaneous Revenues	1,534,261	1,447,381	1,455,000	1,453,000	1,430,361
Receipts from Delinquent Taxes	180,000	120,000	120,000	145,000	135,000
Amount to be Raised by Taxation	<u>1,117,880</u>	<u>1,289,011</u>	<u>1,381,608</u>	<u>1,386,760</u>	<u>1,509,000</u>
Total Revenue:	<u>\$3,294,891</u>	<u>\$3,371,642</u>	<u>\$3,466,608</u>	<u>\$3,394,760</u>	<u>\$3,532,361</u>
<u>Appropriations</u>					
General Appropriations	\$2,442,799	\$2,402,202	\$2,470,503	\$2,473,729	\$2,554,590
Operations (Excluded from CAPS)	299,090	232,033	248,841	258,869	241,000
Deferred Charges and Statutory Expenditures	23,400	0	0	29,060	2,560
Judgments	0	0	0	0	0
Capital Improvement Fund	10,000	185,000	175,000	0	0
Municipal Debt Service	277,000	297,100	350,500	359,000	454,000
Reserve for Uncollected Taxes	<u>242,602</u>	<u>255,307</u>	<u>221,764</u>	<u>274,103</u>	<u>280,211</u>
Total Appropriations:	<u>\$3,294,891</u>	<u>\$3,371,642</u>	<u>\$3,466,608</u>	<u>\$3,394,760</u>	<u>\$3,532,361</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017U	\$918,278	\$458,000
2016	792,414	410,000
2015	734,407	510,000
2014	655,855	515,250
2013	486,531	462,750

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2017

General Purpose Debt

Serial Bonds	\$355,000
Bond Anticipation Notes	6,028,750
Bonds and Notes Authorized but Not Issued	642,978
Other Bonds, Notes and Loans	0
Total:	<u>\$7,026,728</u>

Local School District Debt

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$0</u>

Regional School District Debt

Serial Bonds	\$1,711,354
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$1,711,354</u>

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$0</u>

TOTAL GROSS DEBT

\$8,738,082

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Regional School District Debt	1,711,354
Self-Liquidating Debt	0
Total:	<u>\$1,711,354</u>

TOTAL NET DEBT

\$7,026,728

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2017)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$0	100.00%	\$0
Regional School District	11,330,000	15.10%	1,711,354
County	710,395,975	0.90%	<u>6,424,002</u>
Net Indirect Debt			\$8,135,356
Net Direct Debt			<u>7,026,728</u>
Total Net Direct and Indirect Debt			<u>\$15,162,084</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$419,956,629
Permitted Debt Limitation (3 1/2%)	14,698,482
Less: Net Debt	<u>7,026,728</u>
Remaining Borrowing Power	<u>\$7,671,754</u>
Percentage of Net Debt to Average Equalized Valuation	1.673%
Gross Debt Per Capita based on 2010 population of 7,678	\$1,138
Net Debt Per Capita based on 2010 population of 7,678	\$915

Source: Annual Debt Statement of the Township

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² Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

INFORMATION REGARDING THE TOWNSHIP OF SPRINGFIELD¹

The following material presents certain economic and demographic information of the Township of Springfield (the “Township”), in the County of Burlington (the “County”), State of New Jersey (the “State”).

General Information

The Township officially came into existence on November 6, 1688, when its boundaries were established. Springfield Township, however, was not incorporated until 1798. The Township consists of three areas: Juliustown, Jobstown and Jacksonville. Juliustown, situated in the southeast portion of the Township, was settled by John Renshaw in 1693. Juliustown was a model place for amusements and outdoor sports of all kinds in the 1980’s. There were horse races, fox hunts and parties all year round.

Jobstown or Jobs-town is near the center of the Township on the line of the Old Monmouth and Mount Holly Turnpike. Jobstown was named after Job Lippincott, a tavern keeper, who was one of the early settlers. In 1835 a railroad was constructed in Jobstown. It was called the Atlantic and Delaware Railroad. In the 1870’s Mr. P. Lorillard of New York, a millionaire tobacconist, came to Jobstown. He purchased a large tract of land on the north end of town and built one of the largest stock-farms in the state. It was considered to be a showcase farm during its time.

The final area within the Township is known as Jacksonville and is a small village situated in the western end of the Township. It is said that Jacksonville was named in honor of former President Andrew Jackson.

Form of Government

The Township is currently operated as a Township Council form of government, which consists of five Council members. The Council members then select a mayor. In November of 1991 the voters elected to change the form of government from a Township Committee form to a Township Council form. The Township is operated by a manager, chief financial officer, clerk and treasurer.

Geographical Location and Size

The Township retains the same boundaries as those established when it was incorporated in 1798. The Township is bound on the north by Chesterfield, Mansfield and Florence Townships. On the southern boundaries, it is bound by New Hanover, Pemberton, Eastampton, Westampton and Burlington Townships and Wrightstown Borough. The Township encompasses 29 square miles. It is vastly under populated when compared to other areas of New Jersey, particularly northern New Jersey. There are approximately 100 people residing within each square mile of the Township.

¹ Source: The Township, unless otherwise indicated.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2017	1,803	1,741	62	3.4%
2016	1,795	1,728	67	3.7%
2015	1,821	1,724	97	5.3%
2014	1,816	1,706	110	6.1%
2013	1,851	1,718	133	7.2%
<u>County</u>				
2017	234,179	224,582	9,597	4.1%
2016	233,255	222,869	10,386	4.5%
2015	232,623	220,189	12,434	5.3%
2014	230,681	215,869	14,812	6.4%
2013	234,288	216,371	17,917	7.6%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2016)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$106,875	\$80,034	\$72,093
Median Family Income	122,308	96,430	88,335
Per Capita Income	41,140	38,137	36,582

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

	<u>Township</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2016 Estimate	3,363	-1.49%	450,236	0.33%	8,958,013	1.89%
2010	3,414	5.79	448,734	5.98	8,791,894	4.49
2000	3,227	6.57	423,394	7.17	8,414,350	8.85
1990	3,028	12.52	395,066	8.97	7,730,188	4.96
1980	2,691	19.92	362,542	12.20	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Columbus Farmers Market	\$8,855,400	2.30%
Helis Enterprise	2,414,900	0.63%
Transcontinental Pipeline	2,251,630	0.58%
NJ Land	1,651,100	0.43%
Mijo Corporation	1,600,000	0.42%
Interstate Storage & Pipeline	1,584,290	0.41%
K&P Ganesh Corporation	1,265,100	0.33%
Store & Lock Self Storage	1,112,400	0.29%
Verizon	<u>959,580</u>	<u>0.25%</u>
Total	<u>\$21,694,400</u>	<u>5.63%</u>

Source: School District CAFR & Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017	\$11,463,599	\$11,280,660	98.40%
2016	11,413,236	11,244,721	98.52%
2015	11,007,883	10,756,988	97.72%
2014	10,518,507	10,188,317	96.86%
2013	10,311,443	10,085,284	97.81%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017	\$223,841	\$115,344	\$339,185	2.97%
2016	246,214	130,077	376,291	3.42%
2015	214,005	207,770	421,775	4.01%
2014	173,302	183,386	356,688	3.46%
2013	152,088	176,469	328,557	3.26%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$498,600
2016	498,600
2015	498,600
2014	498,600
2013	498,600

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2017	\$0.572	\$0.019	\$0.920	\$1.012	\$0.445	\$2.968
2016	0.529	0.018	0.898	1.083	0.426	2.954
2015	0.513	0.019	0.899	1.000	0.415	2.846
2014R	0.468	0.019	0.882	0.925	0.392	2.686
2013	0.416	0.018	0.769	0.778	0.353	2.334

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017	\$384,348,930	\$423,385,030	90.78%	\$907,931	\$424,292,961
2016	384,666,595	418,608,815	91.66	969,755	419,578,570
2015	386,308,823	401,110,182	96.05	1,042,493	402,152,675
2014R	390,313,890	393,977,884	99.07	941,780	394,919,664
2013	439,374,045	398,344,556	110.30	1,059,877	399,404,433

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$8,087,100	\$278,881,500	\$57,181,900	\$40,198,430	\$0	\$0	\$384,348,930
2016	8,249,050	280,081,300	56,054,360	39,312,130	0	969,755	384,666,595
2015	8,960,950	280,027,800	56,651,450	39,626,130	0	1,042,493	386,308,823
2014R	10,200,450	285,013,000	54,828,810	40,271,630	0	0	390,313,890
2013	8,733,800	319,406,300	66,489,215	44,627,930	116,800	0	439,374,045

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$433,440	\$560,040	\$560,040	\$620,000	\$675,000
Miscellaneous Revenues	985,816	981,086	1,014,183	976,049	954,711
Receipts from Delinquent Taxes	185,000	175,000	190,000	130,000	100,000
Amount to be Raised by Taxation	<u>1,832,450</u>	<u>1,985,014</u>	<u>2,035,127</u>	<u>2,206,021</u>	<u>2,334,514</u>
Total Revenue:	<u>\$3,436,706</u>	<u>\$3,701,140</u>	<u>\$3,799,350</u>	<u>\$3,932,070</u>	<u>\$4,064,225</u>
<u>Appropriations</u>					
General Appropriations	\$2,516,819	\$2,554,490	\$2,629,499	\$2,638,665	\$2,708,639
Operations (Excluded from CAPS)	232,300	238,790	247,709	240,142	220,788
Deferred Charges and Statutory Expenditures	39,100	39,100	39,100	31,900	71,900
Judgments	0	0	0	0	0
Capital Improvement Fund	0	5,000	20,000	25,000	40,000
Municipal Debt Service	404,852	528,315	561,820	696,363	722,900
Reserve for Uncollected Taxes	<u>243,635</u>	<u>335,445</u>	<u>301,222</u>	<u>300,000</u>	<u>299,998</u>
Total Appropriations:	<u>\$3,436,706</u>	<u>\$3,701,140</u>	<u>\$3,799,350</u>	<u>\$3,932,070</u>	<u>\$4,064,225</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$1,027,236	\$675,000
2016	954,285	620,000
2015	918,218	560,040
2014	769,961	560,040
2013	617,134	433,440

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2017

General Purpose Debt

Serial Bonds	\$7,280,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	1,760,000
Other Bonds, Notes and Loans	0
Total:	<u>\$9,040,000</u>

Local School District Debt

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$0</u>

Regional School District Debt

Serial Bonds	\$2,135,835
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	79,734
Total:	<u>\$2,215,569</u>

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$0</u>

TOTAL GROSS DEBT

\$11,255,569

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Regional School District Debt	2,215,569
Self-Liquidating Debt	0
Total:	<u>\$2,215,569</u>

TOTAL NET DEBT

\$9,040,000

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2017)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$0	100.00%	\$0
Regional School District	14,331,000	15.00%	2,135,835
County	710,395,975	0.90%	<u>6,408,998</u>
Net Indirect Debt			\$8,544,833
Net Direct Debt			<u>9,040,000</u>
Total Net Direct and Indirect Debt			<u>\$17,584,833</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$414,368,009
Permitted Debt Limitation (3 1/2%)	14,502,880
Less: Net Debt	<u>9,040,000</u>
Remaining Borrowing Power	<u>\$5,462,880</u>
Percentage of Net Debt to Average Equalized Valuation	2.182%
Gross Debt Per Capita based on 2010 population of 3,414	\$3,297
Net Debt Per Capita based on 2010 population of 3,414	\$2,648

Source: Annual Debt Statement of the Township

² Township percentage based on the Township's share of total equalized valuation in the County

APPENDIX B

FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT

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NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT

Columbus, New Jersey

County of Burlington

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT

COLUMBUS, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by

**Northern Burlington County Regional School District
Finance Department**

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INTRODUCTORY SECTION

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Northern Burlington County Regional School District

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Telephone: 609-298-3900 Fax: 609-298-3154

Dr. James Sarruda
Superintendent of Schools
(609) 298-3900 x 2006

Dr. Kathy McCormick
Assistant Superintendent of Schools
(609) 298-3900 x 2017



Mr. Richard Kaz
Business Administrator /Board Secretary
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District Web Page
www.nburlington.com

October 11, 2017

Honorable President and Members
of the Board of Education
Northern Burlington County Regional School District
County of Burlington
Columbus, New Jersey

Dear Board Members/Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Northern Burlington County Regional School District for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Northern Burlington County Regional School District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the district as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections as follows:

Introductory Section:

Section contains a Letter of Transmittal, Roster of Officials, Consultants and Advisors, and an Organizational Chart.

Financial Section:

Section contains the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information (RSI) and Other Supplementary Information.

Statistical Section:

Section contains selected financial trends, revenue and debt capacity, demographic, economic and other operating information, generally presented on a multi-year basis.

Single Audit Section:

The School District is required to undergo an annual Single Audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08 OMB, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". Information related to this Single Audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, are included in the Single Audit Section of this report.

REPORTING ENTITY AND ITS SERVICES

The Northern Burlington County Regional School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14 as amended by GASB Statement No. 39. The Northern Burlington County Regional Board of Education and its two schools constitute the district's reporting entity.

The district continues to maintain a high quality of education. The district provides a full range of educational programs and services appropriate to grade levels 7 through 12. These include regular, vocational, programs for the very able students (gifted and talented), as well as those for students with disabilities both in and out of district. The district educates students from Chesterfield Township, Mansfield Township, North Hanover Township, Springfield Township and the Joint Military Base McGuire, Dix, Lakehurst.

Supervising district wide goals is a district superintendent, an assistant superintendent for academics, a school business administrator/board secretary, three district-wide curriculum directors, a director of special services and an athletic director. The Northern Burlington County Regional High School and Middle School each have its own principal. The High School has three assistant principals and the middle school has one assistant principal.

- Northern Burlington County Regional Middle School: Grades 7 & 8: The middle school is a grade 7 to 8 school of 833 students. There are two administrators and a staff of approximately 90 teachers and support employees. The school is a state-of-the-art facility built in 2003 and is 144,000 square feet in size. The school is located on 180 Mansfield Road East, in Columbus where it shares a campus with the high school.
- Northern Burlington County Regional High School: Grades 9 through 12: The high school is a grade 9 through 12 school of 1337 students. There are four administrators and a staff of approximately 140 teachers and support employees. The original school building was built in 1960, has multiple dwellings, is 215,545 square feet in size and is well maintained. The high school is located on 160 Mansfield Road East, in Columbus where it shares a campus with the middle school.

The Regional Board of Education is comprised of nine members, each elected to three year terms. Based on the 2010 US Census the regional school boards seats are allocated as follows: Chesterfield has two seats, Mansfield has three seats, North Hanover has three seats, and Springfield has one seat.

The Regional Board of Education traditionally meets on the second Monday of each month for a work-session meeting and the third Monday of each month for a regular meeting. During its meetings and work-sessions the board determines district goals and priorities and conducts other business. Board meetings are open to the public and begin at 7:30 PM. All work-session and regular meeting agendas and minutes are posted on the district's e-governance webpage at www.nburlington.com.

The Parent Teacher Student Connection (PTSC) is active in the district and provides community support for a variety of programs and activities for the students.

Each district school follows district-wide goals and educational approaches to the teaching of children, while maintaining a unique personality. All curricula in the district have been aligned to the New Jersey Core Curriculum Content Standards (NJCCCS) and the Common Core State Standards (CCSS). The following briefly describes new programs and or enhancements to existing programs that ensure the implementation of the standards:

Mathematics

All mathematics teachers improved their understanding of the PARCC evidence statements that describe the knowledge and skills each assessment item elicits from students. Teachers will analyze PARCC results and identify correlations with the district's math curricula and modify curriculum to ensure assessments are measuring students' depth of knowledge for each standard. Mathematics content teams continually seek resources to improve active student engagement with the content and to advance skill proficiency, and have determined that use of an electronic device to take assessments has yielded favorable results. Chrome books have been added to facilitate instructional practices in Algebra II and Calculus courses at the high school level, and Geometry & Probability courses at the middle school level. All levels of Pre-Calculus were re-designed for this year following the multi-year revision of Algebra I, Geometry and Algebra II. All required and elective math courses will be aligned to the new NJSLS, approved at the August 2017 BOE meeting, and the curricula will be fully implemented in September 2017.

Science

This year marks the first year of full curriculum implementation of the 2014 Next Generation Science Standards (NGSS)/New Jersey Student Learning Standards (NJSLS) for Science courses, including high school science electives. The entire department continues to develop units that incorporate the instructional shifts required by these standards, while the middle school seeks coordinated resources to support the integration of the standards. Chrome books have been incorporated in the high school Physics program and textbooks and online services will replace several existing resources that reflect the major redesign of science domains in grades 7 and 8 science courses. The Regional Curriculum Program Committee (RCPC) comprised of members from our district and the four sending elementary districts will continue to refine the multi-year strategic plan, focusing on instructional methodologies to improve student learning. Science teacher leaders on the committee will collaboratively develop lessons and demonstrate effective ways to implement the NJSLS to other science teachers in the district and the four sending elementary districts. All science courses, with the exception of one high school elective course,

were approved at the August 2016 BOE meeting and the curriculums were implemented in September 2016. The elective course is scheduled for a revision of curriculum and alignment to standards in summer 2017, with subsequent approval at the August 2017 BOE meeting and a September 2017 implementation of revised curriculum.

English Language Arts

The English Language Arts/Literacy program focuses instruction on the inclusion of oral and written expressions, detailed aspects of genres, and characteristics of various types of literary and informational texts aligned to the New Jersey Student Learning Standards, adopted May 2016. The district's benchmark assessment system has enabled teachers to design and implement activities and assessments to generate evidence of student understanding of enduring concepts and essential skills. Further, students are expected to demonstrate application of those concepts and skills throughout the curricula in grades 7-12. The content and skills in each unit build upon one another so all standards are addressed in a coherent and logical way across the grade spans. Specifically, the courses include common vocabulary and grammar instruction, and integrate art, music, media, civics and social studies that are on grade level. Digital learning tools and resources are accessible in the classroom for students to work within the school day or in any location other times of the day. Every language arts teacher use Google Classroom, Google Apps for Education (GAFE), and chrome books on a daily basis. All district English courses, with the exception of a few high school elective courses, were approved at the August 2016 BOE meeting and the curriculums were implemented in September 2016. The elective courses are scheduled for a revision of curriculum and alignment to standards in summer 2017, with subsequent approved at the August 2017 BOE meeting and a September 2017 implementation of curriculum.

Social Studies

Revisions to the social studies curricula reflect data obtained and analyzed from common assessments for each course, particularly in the benchmarking system used to assess evidence of essential skills. Course curricula were modified to provide teachers with a more appropriate timelines to include modern day issues and more current social phenomena. The district social studies program continued to focus on the incorporation of source documents and the shared responsibility of implementing the 2016 New Jersey Student Learning Standards. Activities include interactive notebooks and daily use of Google Classroom, Google Apps for Education, and chrome books. All district social studies courses, with the exception of a few high school elective courses, were approved at the August 2016 BOE meeting and the curriculums were implemented in September 2016. The elective courses are scheduled for a revision of curriculum and alignment to standards in summer 2017, with anticipated approval at the August 2017 BOE meeting and a September 2017 implementation of curriculum.

Visual and Performing Arts

The district continues to reference the NJDOE adoption of the National Arts Standards from the National Coalition of Core Arts Standards (NCCAS). Lessons and activities have been revised to ensure students are prepared for graduation and to facilitate maximization of opportunities in fine art, music, and theatre beyond graduation. Instructional resources, including material goods and various technologies have been implemented to support student success. Northern Burlington students continue to perform very well in co-curricular competitions, such as New Jersey Drama Forensics League (NJDFL), Teen Arts Festivals, and All State Band and Chorus. Revisions to the VPA curriculums were approves at the August 2012 BOE meeting and implemented in

September 2012. The district curriculums are aligned to the NJCCCS 2009, as there were no revisions to the VPA state standards in 2014.

21st Century Life and Careers

Applied Technology, Business, and Agriscience curriculums have been improved to incorporate new resources and materials in real world learning activities for students to practice essential life skills in analysis, development, design and problem solving. Printed and digital textbooks are now in use in Agriscience horticulture, mechanics and select Business courses. Accounting, Marketing, and Entrepreneurship courses have increased student participation in the co-curricular activities to include DECA (Distributive Education Clubs of America) and FLBA (Future Business Leaders of America). All Child Development sections are now supported by experienced upperclassmen modeling and facilitating instructional strategies with first year Child Development students. At the same time new educational technology is being infused in the program. Curriculum revision plans include aligning Agriculture mechanics courses and Business Education courses to 2014 NJ Student Learning Standard 9. The district curriculums in this area will be aligned to the NJSLS during the summer 2017, approved at the August 2017 BOE meeting and implemented in September 2017.

Comprehensive Health and Physical Education

All district health and physical education courses measure and monitor students' development of knowledge and skills that influence life-long healthy behaviors within the context of self, family, school, and the local and global community. Students are introduced to, and begin to develop an understanding of national and international public health and safety issues. Other units include wellness, driver's education, first aid/CPR, sex education, teen dating violence, fitness, nutrition, drug/alcohol abuse and family life. Physical fitness is promoted through participation in a variety of athletic games, competitions, and Fitness gram. Team-building skills are strongly emphasized through adventure education (outdoor ropes course and rock climbing) and advanced leadership skills are offered to students in grade 12 through the courses Peer Leadership and Lifetime Information for Everyone (LIFE). Teachers will receive training on the ropes course and rock climbing, and also engage in peer observation for the purpose of learning instructional strategies in other content areas. Courses were approved at the August 2014 BOE meeting and the curriculums were implemented in September 2014.

World Languages

The World Language department uses locally developed assessments to measure student progress in the three modes of communication: interpersonal (conversational skills) interpretive (reading and listening comprehension) and presentational (writing and speaking skills). The World Language teachers collaborate on the selection of authentic materials that encourage active learning and support the development of conceptual understanding. World language teachers meet regularly to ensure there is consistency between the same courses taught in both the middle school and high school. The curricula for the middle school world language courses will be revised and aligned to the NJSLS this summer with an August 2017 BOE approval date and a September 2017 implementation of curriculums. High school world language courses, with the exception of the higher levels of Chinese, were BOE approved at the August 2016 BOE meeting and implemented in September 2016. These high school courses will follow the same process as the middle school world language courses for BOE approval and implementation of curriculums.

Technology

All courses at Northern have integrated Standard 8.1, the use of digital tools, primarily Google Classroom, to access, manage, evaluate, and synthesize information in order to solve problems individually, collaborate, create, and communicate knowledge. The addition of a Business Education teacher with career experience elevates our program to lead students toward successful business careers. Courses have been aligned to NJSLS 2014 and offer greater access to more students in the areas of Accounting, Business Concepts and Law, Applications, and Marketing in the high school. Learning activities will emphasize professional collaboration. In addition, teachers are members of state professional associations and participate in professional development seminars that focus on current careers and workplace skills. Applied Technology courses address NJSLS 8.2 and continue learning through the incorporation of additional design and problem solving resources. Curriculums were approved at the August 2015 BOE meeting and implemented in September 2015.

ECONOMIC CONDITION AND OUTLOOK

The district completed the 2016-2017 fiscal year with an average daily enrollment of 2,089 students which is an increase of 65 students over the previous year's average daily enrollment. The table presents the annual pupil enrollment, as of October 15, for the current and previous nine school years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	2,131	2.85%
2015-2016	2,072	-3.54%
2014-2015	2,148	6.81%
2013-2014	2,011	0.00%
2012-2013	2,011	1.26%
2011-2012	1,986	4.31%
2010-2011	1,904	3.70%
2009-2010	1,836	0.77%
2008-2009	1,822	-1.41%
2007-2008	1,848	-2.27%

Enrollment projections are determined by a demographer using the cohort survival ratios and 5 years of historical data.

**Projected Grade 7-12 Enrollments for 2017-18 to 2021-22
Using Cohort-Survival Ratios and 6 years of Historical Data**

Year	7	8	9	10	11	12	SE	7 - 8 Total	9 - 12 Total	7 - 12 Total
2017-18	430	410	346	350	307	321	18	851	1331	2182
2018-19	380	429	394	329	339	305	18	820	1374	2194
2019-20	410	379	413	374	319	336	18	799	1450	2249
2020-21	394	408	365	392	363	316	18	812	1444	2256
2021-22	367	393	393	346	380	360	18	770	1487	2257

Although the housing development in Mansfield Township has slowed, Chesterfield Township continues to build new homes and grow. Housing on Joint Military Base McGuire, Dix, Lakehurst is near capacity.

We recognize that the State is in a financial crisis and want to assure our residents that the Northern Burlington County Regional School District is doing its part to maintain a responsible budget. The district's administration closely monitors the cost of operations and continues to look for new funding sources in order to maintain the quality education services that the district has been accustomed to providing.

Maintaining our School System

For several years now, the Northern Burlington County Regional School Board has and its administration, faculty and community, has been working on a strategic plan to guide the course of programs and progress in the district. In cooperation with the Middle States Association, the district has successfully completed the Excellence By Design Protocols as outlined by the Middle States Accreditation Process. This initiative began in March of 2015 and will continue through the summer of 2017 and the fall of 2018 as the approved goals and actions plans are implemented and monitored for success. This is a self-assessment protocol that has culminated in the attainment of certification from the MSA.

Northern Burlington is also working hard to manage aging facilities. In September of 2015 a building referendum for approximately \$63 million was defeated at the polls. This has left the Board of Education seeking alternative strategies to address the significant facility needs. The FY'17 spending plan did appropriate revenues to address some of these more pressing concerns like the expansion of the parking facilities on campus. The FY'18 spending plan will also address some of the more pressing facility needs.

The Board remains committed to continue its practice of presenting budgets within the tax levy caps. With a history of shortage in State Aid support that simply does not adequately fund this increase in the student population; the Board of Education continues to offer spending plans with modest increases in local property tax increases. As a result of the inadequate State Aid, the NB Board of Education will use increased fund balance appropriations to support the 2017-2018 spending plan.

Academic priorities for FY'18 once again find focusin September 2017 Northern Burlington will introduce its first Air force Junior ROTC program.

In addition, this budget considers the need to incrementally enhance school and campus safety and security. As previously mentioned, this spending plan does anticipate additional student enrollment. Subsequently, an increase in teaching staff and teacher aides will be necessary to meet the needs of our growing student population. Moreover, this budget does maintain the staffing of a school resource officer for the Middle School and the High School. It should also be noted that the IPSC aid will once again be distributed to both the agriscience program (approximately 25%) and the general education programs (approximately 75%) throughout the district.

Finally, the Board of Education continues to support the administration's efforts to decrease out of district special education placement costs and increase tuition revenue opportunities within the district. For FY '18, the district anticipates the need to hire one additional teacher to support this effort. It should be noted that when this administration identifies the ability to service students 'in house' these placements are oftentimes challenged by the parents. As a result, increased legal fees are realized and ultimately, the legal decision most often does not support this effort. Instead, the district is forced to pay higher tuition rates and increase services beyond what the professionals in this district have determined to be quite appropriate for the needs of the child. Until this process is improved, the district's ability to better control these costs will not be realized.

Raising Standards and Expanding Opportunities

The Board of Education once again is pleased to have developed a spending plan that will raise academic standards and expand opportunities for all students. To accomplish this, programs are continually assessed and curriculum revised.

Academic Priorities include:

- In preparation for the state's adoption of the Next Generation Science Standards (NGSS), teams of teachers are intensely focusing on understanding the three dimensions of the standards and examining how curriculum and instruction will change to support the shifts. The shifts include an understanding of Science and Engineering Practices, Crosscutting Concepts, and Disciplinary Core Ideas.
- The incorporation of locally designed benchmark assessments to enable teachers in all departments to assess the identified power standards and provide students with opportunities to demonstrate their understanding of critical content standards.
- Instructional technologies such as chrome books, interactive white boards, and Google Docs for Education software are sustained and expanded.
- The middle school and high school English Language Arts program will focus instruction on the inclusion of oral and written expressions, detailed aspects of genres, and the characteristics of various kinds of literary and informational texts that are aligned to the Common Core State Standards (CCSS).
- In response to the College Board's revision of the national social studies curricula, teachers in the social studies department anticipate significant revisions to local curricula beginning summer 2015 and continuing in the summer of 2017.
- Pre-engineering course offerings continue to expand. Contemporary course names and activities include: Industrial Design, Architecture, Material Design, Tools & Machine, and Construction.

Curriculum revisions reflect Standards for Technological Literacy delineated by the International Technology and Engineering Educators Association (ITEEA) and will compliment this evolution. The implementation of locally developed benchmark assessments will continue to assess students' learning of critical content standards and enduring understandings for each course.

Building Professionalism

Each summer the Central Administration coordinates and presents an "Administrative Retreat." This is a carefully crafted professional development program that is designed to build capacity in critical areas of the administrative team. The retreat focus for the summer of 2017 will include a comprehensive review of administrative job responsibilities. This spring, there has been a significant turnover in administration as the Assistant Superintendent, a director, and an assistant principal has been replaced. It will be important to bring the entire administrative team together to discuss roles and responsibilities for FY'18.

It should also be noted that the Northern Burlington County Regional School District administrators and faculty are proud to implement its locally developed teacher assessment and principal assessment tools. Both tools have been approved by the Department of Education. Clearly, the need for staff training and resource materials needed for the implementation of EE4NJ is evidenced in the state guidelines and this spending plan provides for the necessary resources to successfully implement and monitor this process. Moreover, it is anticipated that the administrative evaluation tool will be revised to reflect the more recent *Professional Standards for Educational Leaders*.

Northern Burlington County Regional District's locally developed teaching practice evaluation instrument was approved by the New Jersey Department of Education. Presently teachers and administrators are receiving training on the instrument and process.

Protecting our Investments (Capital and Maintenance Projects/Capital Reserve)

The school district held a special election for the Building Excellence project that proposed connecting the old junior high school building to the original high school building creating a closed campus, updating 56 year old mechanical systems such as boilers, HVAC, electric, plumbing, etc., replace sections of roofs on each school building, and expand the high school parking lot. The election was soundly defeated by the regional school communities. Members of the School Administration in conjunction with School Board Members hosted "focus group" meetings to determine what the school community will support relative to renovating and expanding their 56 year old high school facilities.

In the interim, costly repairs to aging electrical equipment are being completed through the current general fund budget. An outdated Federal Pacific electrical panel was repaired enough to get by long enough to replace the panel with equipment from companies that are still in business. Likewise, to alleviate students parking on surrounding roads without sidewalks, the Fiscal Year 2107 General Fund budget included a lease purchase capital project to increase the school's parking lot by approximately 250 parking spaces.

Through a comprehensive maintenance plan the district continues to remodel high school classrooms each summer that includes the removal of asbestos floor tile, installation of vinyl composition floor tile, removal of antiquated electrical and audio-visual components and wiring, removal of slate blackboards and bulletin boards, patching, parching, and painting of rooms, electrostatic painting of all Nesbitt and

Herman-Nelson unit ventilator covers and metal shelving along with the installation of SMARTBOARDS, new casework, the installation of new teacher station power and audio visual terminals.

Further, each summer the building and grounds staff continues to paint areas that need restoring. This past year the painting project included the middle school hallway walls and four bathrooms. In the high school, the building and grounds staff painted over 6 classrooms, 6 lavatories, the boy's & girl's locker rooms, east main office, CST offices, and the school nurse's suite.

For safety purposes, ADA compliant room numbering signs were installed on all doors throughout the high school west and east school buildings. The room signage now ties into the new fire suppression system installed several years ago. Likewise, for safety and security purposes, numbering signs were installed on all exterior doors throughout the district's two schools so that first responders can more easily identify access to the school buildings.

The strategic plan for the replacement of analog security cameras and expansion of digital security cameras continued to be supported through the use of federal impact aid funds. The school district installed close to 30 security cameras in the high school and middle school. The majority of these cameras replaced old analog security cameras at the high school that outlived their useful life.

The Board remains optimistic that the school community will support the renovation of outdated mechanical systems, and improve the core facilities of the high school. The Board will continue to communicate the needs of the high school with the community and work towards a suitable building plan.

Planning for the Future

This administration and Board of Education fully understand the dynamics of strategic thinking and have established a collaborative decision-making process that incorporates a deliberate approach to strategic planning initiatives. Resources are evaluated, needs assessed, and progress measured. Key decisions are examined in scenario-based discussions and final goals are established after consideration from all stakeholders.

During the 2017-2018 school year, the Board of Education and its administration will continue to strive for excellence through the maintenance of the strategic plan that will guide instruction, facilities, and technology decision-making for the next five years. This process has included the crossover of the district's strategic planning process from the accreditation for growth (AFG) model to the Excellence By Design (ExBD) model as well as a rethinking of technologies to improve instruction and a reimagining of facilities for the year 2020.

INTERNAL ACCOUNTING CONTROLS

Management of the School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft and misuse and to ensure that adequate accounting data are completed to allow for the preparation of financial statement in conformity with general accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be delivered; and (2) the valuation of costs and benefits require estimates and judgments by management.

As a recipient of federal and state financial assistance, the district also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations

related to those programs. This internal control structure is also subject to periodic evaluations by the district management.

As part of the School District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the district has complied with applicable laws and regulations.

BUDGETARY CONTROLS

In addition to internal accounting controls, the School District maintains budgetary controls. 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 referred in N.J.A.C. 6A:23. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the New Jersey Department of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or included as re-appropriations of fund balance in the subsequent year.

ACCOUNTING SYSTEM AND REPORTS

The School District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The School District's accounting system is organized on the basis of funds. The funds are explained in "Notes to Financial Statements", Note 1.

FINANCIAL POLICIES

The intent of the School Board is to ensure that the District manages its budget and finance in a fiscally prudent and responsible way by establishing financial policies for the Budget, Fund Balance and the maintenance of adequate reserves. The government-wide 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 the liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual that is when they become measurable and available. Property taxes, interest and certain General Fund revenues are the significant revenue sources considered susceptible to accrual.

OTHER INFORMATION

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Holman, Frenia & Allison, P.C., Certified Public Accounts, was appointed by the Board of Education. In addition to meeting the requirements set forth in the State statutes, the audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining statements and related major fund

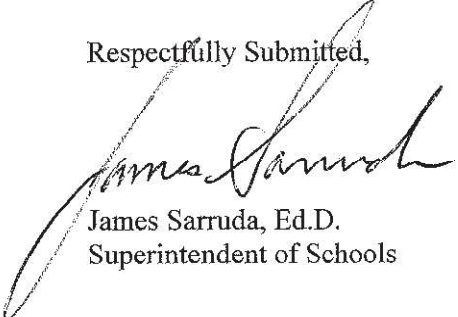
supporting statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section of this report.

AWARDS AND ACKNOWLEDGEMENTS


The Northern Burlington County Regional School District Board of Education has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting and internal fiscal controls are well effective and consistently implemented. The School District plans to continue its sound fiscal management practices to meet the challenges of the future. Correspondingly, we are pleased to report that the School District was awarded the Certificate of Excellence (COE) in Financial Reporting for the fiscal year ended June 30, 2016 from the Association of School Business Officials International (ASBO). For many years, the Association of School Business Officials has offered a Certificate of Excellence in Financial Reporting Program and this program has been the "gold standard" for school districts wanting to demonstrate superior accounting practices and reporting procedures to the communities they serve. Northern Burlington earned this honor.

We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have accomplished without the efficient and dedicated services of our business office staff.

Respectfully Submitted,



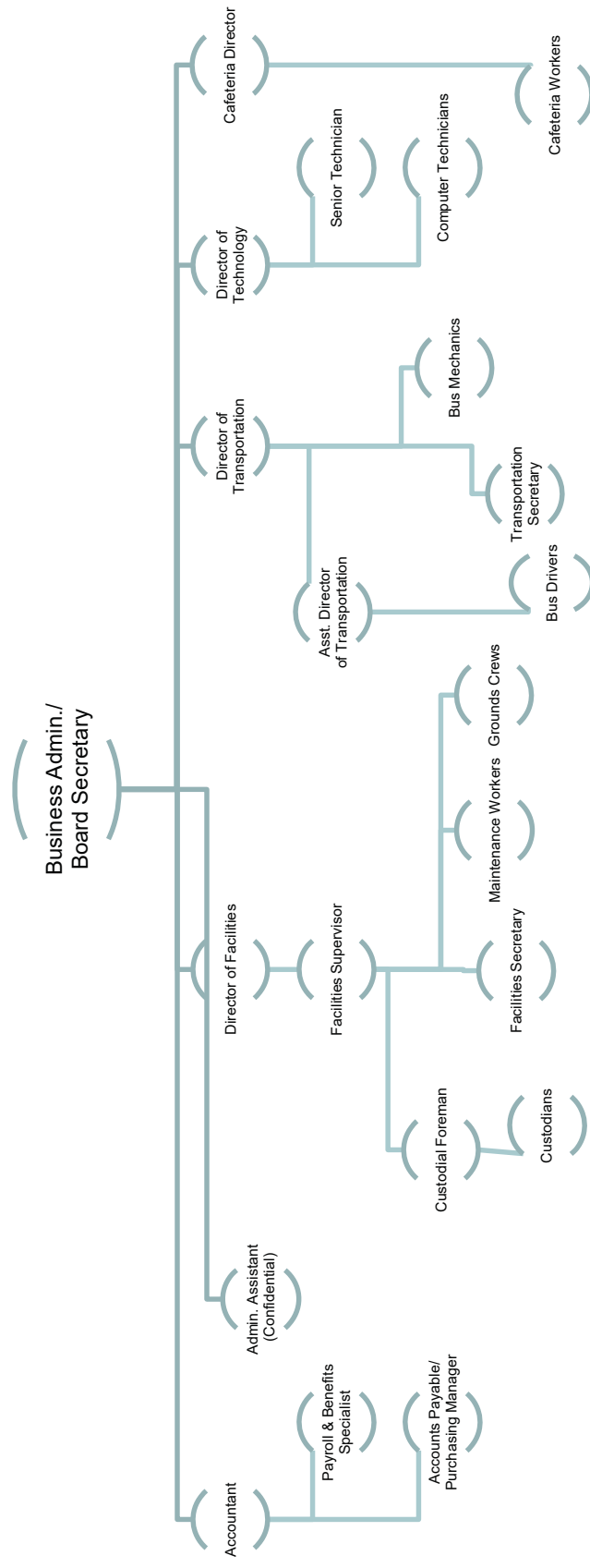
James Sarruda, Ed.D.
Superintendent of Schools



Richard Kaz, Jr.
School Business Administrator/
Board Secretary

Northern Burlington County Regional School District

Business Office



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**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NEW JERSEY**

ROSTER OF OFFICIALS

June 30, 2017

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Kevin Zimmer, President	2019
F. Gerald Spence, Vice President	2018
Cathryn Browning	2017
Michael Crawford	2019
Megan Riffle	2019
Edmund Nowak	2017
Marcial Mojena	2018
Paul Narwid	2018
Matthew Varava	2017
Lt. Col. Timothy Motley, McGuire-Dix-Lakehurst Joint Military Base Liaison	

OTHER OFFICIALS

Dr. James Sarruda, Superintendent

Richard Kaz, Board Secretary/Business Administrator

Joseph Monzo, Treasurer

Stephen J. Mushinski, Esquire, Solicitor

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**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NEW JERSEY**

CONSULTANTS AND ADVISORS

ARCHITECT

Fraytak Veisz Hopkins Duthie, P.C.
Trenton, New Jersey

ENGINEER

Van Cleef Engineering, Inc.
Robbinsville, New Jersey

AUDIT FIRM

Holman Frenia Allison, P.C.
Kevin P. Frenia, PSA, CPA, RMA
Medford, New Jersey

ATTORNEY

Stephen J. Mushinski, Esq.
Parkey McCay
Mount Laurel, New Jersey

OFFICIAL DEPOSITORY

TD Bank
Lumberton, New Jersey

BBT
Lumberton, New Jersey

ABCO Federal Credit Union
Rancocas, New Jersey

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**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

**The Certificate of Excellence in Financial Reporting
is presented to**

**Northern Burlington County
Regional School District**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Northern Burlington County Regional School District
County of Burlington
Columbus, New Jersey

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 Northern Burlington County Regional School District, County of Burlington, 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; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the, Office of School 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 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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.

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, each major fund and the aggregate remaining fund information of the Northern Burlington County Regional School District, County of Burlington, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

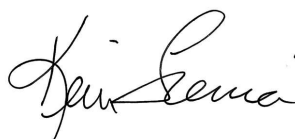
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions, as listed in the table of contents be presented to supplement the basic 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.



Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable President and Members
of the Board of Education
Northern Burlington County Regional School District
County of Burlington
Columbus, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Northern Burlington County Regional School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Northern Burlington County Regional School District's basic financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northern Burlington County Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northern Burlington County Regional School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northern Burlington County Regional School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read "Kevin P. Frenia". The signature is fluid and cursive, with the first name "Kevin" being more prominent.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
October 11, 2017

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

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**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**


**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**


The Discussion and Analysis (MD&A) of Northern Burlington County Regional School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended on June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance. Certain comparative information between the current fiscal year (2016-2017) and the prior fiscal year (2015-2016) is required and is presented in the MD&A.


FINANCIAL HIGHLIGHTS


Key financial highlights for the 2017 fiscal year are as follows:


 Northern Burlington formally reserved \$1,333,423 of unanticipated Federal Impact Aid and withdrew \$63,902 for spending bringing the total reserve to \$7,537,638 at fiscal year-end.

 Northern Burlington formally transferred \$408,115 into a capital reserve account to fund future capital projects bringing the total balance in the capital reserve to \$2,914,832 at fiscal year-end.

 The overall General Fund fund balance (budgetary basis) increased \$2,189,047 from the prior fiscal year to \$16,212,985 at June 30, 2017.

 At the conclusion of the fiscal year, the district's Unassigned General Fund balance (budgetary basis) was \$2,042,035. Chapter 73, Public Law of 2004 ("S1701") limits the amount of unassigned fund balance to 2% of the adjusted general fund expenditures plus certain allowable adjustments. Total general fund expenditures were \$33,671,848 (less on-behalf TPAF and capital lease expenditures) and the allowable adjustments totaled \$1,368,598.

 The amount of unassigned general fund balance in the School District's general fund on a GAAP basis was \$850,458. The difference between the budgetary basis and the GAAP basis is the final two State aid payments in the amount of \$1,191,577 which was recognized as revenue on a budgetary basis but not on a GAAP basis.

 The School District's Adult School, Technology Fund and Food Service Fund each increased there net position in the amount of \$22,253, \$31,172 and \$2,135 respectively.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Northern Burlington County Regional School District as a financial whole, an entire operating entity. Required supplementary information and other supplementary information proceed to provide an increasingly detailed look at specific financial activities.

The focus of governmental accounting differs from that of business enterprises. In government, the financial statement user is concerned with determining accountability for funds, evaluating operating results, and assessing of service that can be provided by the governmental along with its ability to meet obligations as they become due. In comparison, the primary emphasis in the private sector from both an operational and reporting perspective is on the maximization of profits.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Using this Comprehensive Annual Financial Report (CAFR) (continued)

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Northern Burlington County Regional School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

This document contains the large number of funds used by the School District to provide programs and activities. The view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities help answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. These bases of accounting takes into account all of the current year's revenues and expenditures, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and others.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ◆ Governmental Activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities and pupil transportation.
- ◆ Business-Type Activities – This service is provided on a charge for goods or services basis in order to recover all the expenses of the goods or services provided. The Food Service, Regional Transportation Program, Adult School and Technology enterprise funds are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Project Fund, and Debt Service Fund.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental funds information help the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The School District maintains four proprietary fund types, enterprise funds. The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that the costs of providing goods or services be financed through user charges. The food services enterprise fund provides for the operation of food services in the School District's middle and high schools. The transportation services enterprise fund provides for the operation of a transportation system that provides transportation services to three school districts within the regional system. Likewise, the technology fund provides for shared technology services such as computer technicians and Internet access to three school districts within the regional system. The adult school provides educational programs to adults. The proprietary funds have been included within the business-type activities in the government-wide financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School District's own programs.

The School District uses trust and agency funds to account for resources held for payroll transactions, student activities, retirement trust, and unemployment trust fund.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the fund financial statements in this report.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the school district as a whole (governmental and business-type activities). Net position may serve over time as a useful indicator of a government's financial position.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The School District as a Whole (continued)

The School District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt and other long term liabilities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net position for fiscal year 2017 compared to fiscal year 2016.

**Table 1
Summary of Net Position**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ (Decrease)	Percentage <u>Change</u>
Current & Other Assets	\$ 16,040,964	\$ 14,309,967	\$ 1,730,997	12.1%
Capital Assets, Net	34,481,182	33,530,151	951,031	2.8%
Total Assets	<u>50,522,146</u>	<u>47,840,118</u>	<u>2,682,028</u>	5.6%
Deferred Outflow of Resources	<u>4,711,400</u>	<u>2,089,960</u>	<u>2,621,440</u>	125.4%
Current and other Liabilities	816,112	582,263	233,849	40.2%
Noncurrent Liabilities	<u>31,706,738</u>	<u>28,967,934</u>	<u>2,738,804</u>	9.5%
Total Liabilities	<u>32,522,850</u>	<u>29,550,197</u>	<u>2,972,653</u>	10.1%
Deferred Inflow of Resources	<u>696,867</u>	<u>576,426</u>	<u>120,441</u>	20.9%
Net Position:				
Net Investment in Capital Assets	20,268,183	18,753,832	1,514,351	8.1%
Restricted	3,958,781	3,343,264	615,517	18.4%
Unrestricted (Deficit)	<u>(2,213,135)</u>	<u>(2,293,641)</u>	<u>80,506</u>	-3.5%
Total Net Position	<u>\$ 22,013,829</u>	<u>\$ 19,803,455</u>	<u>\$ 2,210,374</u>	11.2%

The School District's combined net position was \$22,013,829 on June 30, 2017. This was an increase of \$2,210,374 or 11.16% from the prior year. Below are explanations for the large fluctuations from prior to current year:

- The District's largest component of net position is the \$20,268,183 of net investment in capital assets. The increase of 8.1% is primarily due to the pay down of debt related to capital assets in the amount of \$2,811,000.
- The increase in noncurrent liabilities is primarily due to the net increase of \$2,880,025 in net pension liability.
- Deferred Outflows increased 125.4%, primarily due to the increase in deferred outflows related to pensions in the amount of \$2,692,280.
- Although the School District's overall financial performance increased from the prior year, the primary reason for the decrease of \$80,506 in unrestricted (deficit) in net position is the large increase in net pension liability as mentioned above.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The School District as a Whole (continued)

Table 2 provides a summary of the School District's changes in net position for fiscal year 2017 compared to fiscal year 2016.

**Table 2
Summary of Changes in Net Position**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,735,954	\$ 1,870,456	\$ (134,502)	-7.2%
Operating Grants & Contributions	4,336,278	3,918,518	417,760	10.7%
General Revenues:				
Property Taxes	21,893,615	20,741,862	1,151,753	5.6%
Federal & State Aid	15,791,291	15,621,068	170,223	1.1%
Other General Revenues	501,085	422,131	78,954	18.7%
Special Items:				
Gain/(Loss) on Fixed Asset Appraisal	115,897		115,897	100.0%
Total Revenues	<u>44,374,120</u>	<u>42,574,035</u>	<u>1,800,085</u>	<u>4.2%</u>
Function/Program Expenditures:				
Regular Instruction	15,609,532	14,633,020	976,512	6.7%
Special Education Instruction	3,156,549	3,872,050	(715,501)	-18.5%
Other Instruction	2,314,690	2,216,005	98,685	4.5%
Tuition	2,467,936	2,172,335	295,601	13.6%
Student & Instruction Related Services	5,118,253	4,184,265	933,988	22.3%
General Administrative	1,883,179	1,777,544	105,635	5.9%
School Administrative Services	1,408,038	1,417,908	(9,870)	-0.7%
Central Services	611,997	618,947	(6,950)	-1.1%
Administrative Info. Technology	74,448	75,627	(1,179)	-1.6%
Plant Operations & Maintenance	3,892,840	4,243,056	(350,216)	-8.3%
Pupil Transportation	3,041,971	2,938,805	103,166	3.5%
Interest & Other Charges	791,183	767,328	23,855	3.1%
Food Service	784,501	768,310	16,191	2.1%
Regional Transportation	702,410	615,884	86,526	14.0%
Adult Schools	60,351	68,410	(8,059)	-11.8%
Technology	245,868	285,312	(39,444)	-13.8%
Total Expenditures	<u>42,163,746</u>	<u>40,654,805</u>	<u>1,508,941</u>	<u>3.7%</u>
Change In Net Position	2,210,374	1,919,230	291,144	15.2%
Net Position - Beginning	19,803,455	17,884,225	1,919,230	10.7%
Net Position - Ending	<u>\$ 22,013,829</u>	<u>\$ 19,803,455</u>	<u>\$ 2,210,374</u>	<u>11.2%</u>

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The School District as a Whole (continued)

Below are explanations for the large fluctuations from prior to current year:

- The School District's regular and instruction increased by \$976,512. The primary reason for the increase is due to the always increasing TPAF salaries and wages and on-behalf benefits for teachers.
- The School District's student and instruction related services increased by 933,988 from the prior year. The primary reason for the increase was due to the increase of salaries and additional professional services related to social worker services
- The School District's tuition increased \$295,601 from the prior fiscal year. The primary reason was due to the increase in tuition rates from the prior fiscal year. The School District's number of sent students did not increase from the prior fiscal year.

Financial Analysis of the Government's Funds

All governmental funds (i.e., general fund, special revenue fund, capital project fund and debt service fund) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$42,330,092 and expenditures were \$42,821,511. The net change in fund balance for the year was an increase of \$1,971,799. As demonstrated by the various statements and schedules included in the financial section of this report, the School District continues to meet its responsibility for sound financial management.

Table 3 provides a summary of the governmental funds revenues for fiscal year 2017 compared to fiscal year 2016.

**Table 3
Summary of Governmental Funds Revenues**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Local sources:				
Local Tax Levy	\$ 21,893,615	\$ 20,741,862	\$ 1,151,753	5.6%
Tuition	138,365	209,665	(71,300)	-34.0%
Transportation	146,470	185,381	(38,911)	-21.0%
Miscellaneous	225,733	236,750	(11,017)	-4.7%
Federal Sources	2,976,372	2,832,464	143,908	5.1%
State Sources	16,949,537	16,498,252	(451,285)	-2.7%
Total Revenues	<u>\$ 42,330,092</u>	<u>\$ 40,704,374</u>	<u>\$ 723,148</u>	1.8%

Revenues increased by \$723,148 or 1.8% over the prior year. Below are explanations for the large fluctuations from prior to current year:

- The tax levy increase \$1,151,753 or 5.6% from the prior year was based on the tax rates struck by the townships.
- The decrease in tuition is related to two less students received by the District during fiscal year 2017

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Analysis of the Government's Funds (continued)

Table 4 is summary of governmental fund expenditures for fiscal year 2017 compared to fiscal year 2016.

**Table 4
Summary of Governmental Funds Expenditures**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Instruction:				
Regular Instruction	\$ 9,573,928	\$ 9,329,900	\$ 244,028	2.62%
Special Education Instruction	2,066,403	2,577,439	(511,036)	-19.83%
Other Instruction	1,669,641	1,696,415	(26,774)	-1.58%
Support Services and Undistributed Costs:			-	
Tuition	2,328,426	1,458,106	870,320	59.69%
Student & Instruction Related Services	4,182,828	3,982,496	200,332	5.03%
General Administrative Services	601,135	607,860	(6,725)	-1.11%
School Administrative Services	1,125,354	1,112,390	12,964	1.17%
Central Services	472,884	475,929	(3,045)	-0.64%
Administrative Info. Technology	58,139	57,589	550	0.96%
Plant Operations and Maintenance	2,995,136	3,069,040	(73,904)	-2.41%
Pupil Transportation	2,074,314	2,134,701	(60,387)	-2.83%
Employee Benefits	9,698,743	9,160,079	538,664	5.88%
Capital Outlay	2,430,778	645,899	1,784,879	276.34%
Debt Service	3,543,802	2,784,697	759,105	27.26%
Total Expenditures	<u>\$ 42,821,511</u>	<u>\$ 39,092,540</u>	<u>\$ 3,728,971</u>	9.54%

Governmental fund expenditures increased \$3,728,971 over the prior year or 9.54%. Below are explanations for the large fluctuations from prior to current year:

- This increase in capital outlay is primarily attributed to the capital outlay expenditure in the amount of \$2,200,000.
- The increase in debt service is due to an additional principal payment of \$447,793 for capital leases entered into the current fiscal year and bond issuance costs related to the refunding of debt in the amount of \$100,669.
- As previously mentioned, the increase in tuition is caused by an increase of tuition rates from the prior fiscal year.

General Fund Budgeting Highlights

Final budgeted revenues was \$33,840,390, which was equal to the original budget. Excluding nonbudgeted revenues, the School District's actual revenues exceeded estimated revenues by \$1,857,956.

Final budgeted appropriations was \$36,381,974, which was an increase of \$990,528 from the original budget. The increase is primarily due to prior year reserve for encumbrances, which increase budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted revenues, the School District's budget appropriations exceeded actual expenditures by \$2,710,126.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

General Fund Budgeting Highlights (continued)

As previously mentioned, the School District's general fund budgetary basis fund balance (Exhibit C-1) was \$16,212,985 at June 30, 2017, an increase of \$2,189,047 from the prior year.

Proprietary Funds

Table 5 is summary of combined proprietary fund revenues and expenses for fiscal year 2017 compared to fiscal year 2016.

**Table 5
Summary of Proprietary Funds Revenues and Expenses**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Operating Revenues:				
Charges for service:				
Daily Sales - Reimbursable Programs	\$ 294,037	265,617	28,420	10.70%
Daily Sales - Nonreimbursable Programs	301,483	303,303	(1,820)	-0.60%
Transportation Fees	780,772	736,575	44,197	6.00%
Other Fees	359,662	355,296	4,366	1.23%
Total Operating Revenues	<u>1,735,954</u>	<u>1,660,791</u>	75,163	4.53%
Operating Expenses	<u>1,793,130</u>	<u>1,731,674</u>	61,456	3.55%
Operating Income/(Loss)	<u>(57,176)</u>	<u>(70,883)</u>	13,707	-19.34%
Nonoperating Revenues/(Expenses)	<u>28,567</u>	<u>152,628</u>	(124,061)	-81.28%
Change in Net Position	(28,609)	81,745	(110,354)	-135.00%
Net Position - Beginning	<u>559,636</u>	<u>477,891</u>	81,745	17.11%
Net Position - Ending	<u>\$ 531,027</u>	<u>\$ 559,636</u>	(28,609)	-5.11%

The School District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Food Service Enterprise Fund's net position increased by \$2,135 to \$235,543. In fiscal year 2016 the net position of the food service fund increased by 9,480. The food services program continues to be self-sustaining.

The Regional Transportation Enterprise Fund's net position decreased by \$84,169 to \$79,004. The primary cause of the decrease was the transfer of \$162,549 to the School District general fund for the purchase of school buses.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Proprietary Funds (continued)

The Adult School Fund' net position increased by \$22,253 to \$177,092. Revenues and expenditures remained fairly consistent from the prior year.

The Technology Fund's net position increased 31,172 to \$39,253. Revenues from the prior year remained consistent. The primary reason for the increase in net position is due to the reduction of \$31,114 in salaries and wages and employee benefits from the prior fiscal year.

Capital Assets

The School District's capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$34,481,182 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements and equipment. Overall, the capital assets increased by \$951,031 from fiscal year 2016 to fiscal year 2017. The primary reason for the increase is due to the capital lease addition of \$2,200,000 for various capital improvements including the construction of and renovations to the School District's High School complex parking facilities. Table 6 shows combining 2017 balances compared to 2016.

**Table 6
Summary of Capital Assets**

<u>Capital Assest (Net of Depreciation):</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 640,900	\$ 640,900	-	0.0%
Land Improvements	4,378,848	2,498,486	1,880,362	75.3%
Building and Improvements	27,783,542	28,638,947	(855,405)	-3.0%
Equipment	1,677,892	1,751,818	(73,926)	-4.2%
	<u>\$ 34,481,182</u>	<u>\$ 33,530,151</u>	<u>\$ 951,031</u>	<u>2.8%</u>

Combined depreciation expense for the year was \$1,595,644. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Debt Administration

At the end of the current fiscal year, the School District had total bonded debt outstanding of \$11,520,000 which is a decrease of \$2,811,000 from the prior year. During the year, the School District issued Refunding Bonds in the amount of \$9,155,000 to refund the outstanding balance of the 2006 bonds in the amount of \$9,865,000. Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

The other largest component of the School District's long-term debt is the net pension liability related to PERS. During fiscal year 2017 the net pension liability increased \$2,880,025 to \$14,118,804. The \$14,118,804 is the net pension liability as of the June 30, 2016 measurement date. More information on Pensions can be found in Note 8 of this report.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Debt Administration (continued)

At December 31, 2016, the School District's overall legal debt limit was \$94,954,116. The School District's net debt applicable to the limit was \$14,392,152 or 15.16% of the debt limit. More information can be found in the Statistical Section of this report (J-13).

For the Future

The Northern Burlington County Regional School District's Board of Education and its administration continue to implement financial strategies that establish and maintain a responsible fiscal position. Together, the Board of Education and its administration have developed a spending plan as outlined in the approved 2017-2018 budget that will not only support the continued success and growth of all the academic programs but also provide for the necessary resources to raise student performance standards and insure the continued success of all students.

Historically, the financial trends in New Jersey have resulted in the Northern Burlington County Regional School District experiencing state aid totals that are not reflective of the district's enrollment increases. This has resulted in difficult economic times since the primary sources of public school funding is state aid and property tax revenue. Over the years, significant cuts in state funding and/or restrictions on the growth rate of the local property tax levy have significantly restricted the necessary revenues and subsequently the growth of school programs. Although the district did receive an adjustment to the state aid totals for FY'18, the adjustment is significantly below the totals necessary to recover all the lost aid over the last fifteen (15) years. This continued shortfall in funding will continue to result in significant constraints on the District's programs and services. The Board of Education and this administration will stand ready to manage any new funding formula being considered with the hopes that the formula will be implemented and the traditional approach of 'funding freezes' will no longer be implemented.

The Board of Education has a long history of effectively implementing the practice of shared services or purchasing cooperatives in an effort to efficiently manage the limited revenues and reduce expenses. For example, the business of the district demonstrates significant gains in a wide variety of shared services which include the sharing of services with Northern's constituent elementary school districts in the area of busing, transportation routing, fuel, instructional assistants and technology services including E-rate services. Furthermore, Northern continues to participate in reverse energy auctions to procure competitive natural gas and electric supply pricing. The District belongs to a handful of purchasing cooperatives recognizing efficiency and cost savings on technology, paper, office supplies, capital assets and equipment. Further, the District is self-insured through a Joint Insurance Fund for workers' compensation insurance, legal liability insurance, property and auto insurance. For Fiscal Year 2018, the District renewed its' shared services agreement with the Mansfield Township Police Department for vehicle maintenance of their police vehicles. Further, the District maintains its shared service agreements with Hainesport Township Elementary School District for Technology services.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
COLUMBUS, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

For the Future (continued)

Also, the school district upgraded its infrastructure by rewiring the entire high school for digital security cameras. The district continues to upgrade the wiring in the middle school for digital security cameras. Fifteen digital security cameras were installed. While it appears the Fiscal Year 2018 budget cannot afford any capital improvements the Board of Education is desirous of upgrading security cameras on the school campus and expanding coverage. A strategic plan for the replacement of analog security cameras and expansion of digital security cameras has been developed.

After a failed \$65 million referendum in September of 2015, the Northern Burlington Board of Education will present a special referendum to its community during Fiscal Year 2018, with the intent of addressing the critical facility needs in the high school. This is a \$39.7 million project that will provide renovations to the core facilities including HVAC, electrical, and roofing upgrades. New instructional spaces will include a media center and an expanded cafeteria. In addition, renovated applied technology labs, science labs, and agriscience classrooms will complete the project.

Finally, it should be noted that the Board of Education has recently completed a high school parking lot expansion project that included a new bus access road to separate school bus traffic from student, teacher, and parent traffic. This project was completed during the summer of 2016 and demonstrates the school Board's commitment to continue maintenance and upkeep of its facilities.

Requests for Information

This financial report is designed to provide a general overview of the Northern Burlington County Regional School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator/Board Secretary at the Northern Burlington County Regional High School, located at 160 Mansfield East, Columbus, New Jersey 08022.

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BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents	\$ 12,210,007	\$ 349,650	\$ 12,559,657
Receivables, Net (Note 4)	491,143	58,852	549,995
Inventory		16,480	16,480
Restricted Cash & Cash Equivalents	2,914,832		2,914,832
Capital Assets, Net (Note 5)			
Non-depreciable	640,900		640,900
Depreciable	33,716,656	123,626	33,840,282
			<hr/>
Total Assets	49,973,538	548,608	50,522,146
			<hr/>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 8)	4,441,635	-	4,441,635
Related to Loss on Debt Refunding	237,902		237,902
			<hr/>
Total Deferred Outflow of Resources	4,679,537	-	4,679,537
			<hr/>
LIABILITIES:			
Accounts Payable	95,797	-	95,797
Due to Other Governments	485,542		485,542
Unearned Revenue	15,378	17,581	32,959
Accrued Interest	169,951		169,951
Noncurrent Liabilities (Note 7):			
Due within one year	1,610,554		1,610,554
Due in more than one year	30,096,184		30,096,184
			<hr/>
Total Liabilities	32,473,406	17,581	32,490,987
			<hr/>
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	696,867	-	696,867
			<hr/>
Total Deferred Inflow of Resources	696,867	-	696,867
			<hr/>
NET POSITION:			
Net Investment in Capital Assets	20,144,557	123,626	20,268,183
Restricted for:			
Capital Projects	3,387,446		3,387,446
Debt Service	2		2
Excess Surplus	163,932		163,932
Unrestricted (Deficit)	(2,213,135)	407,401	(1,805,734)
			<hr/>
Total Net Position	\$ 21,482,802	\$ 531,027	\$ 22,013,829
			<hr/>

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

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	PRIOR YEAR
Governmental Activities:						
Instruction:						
Regular Instruction	15,609,532		\$ 2,784,251	\$ (12,825,281)	\$ (12,825,281)	\$ (2,743,053)
Special Education Instruction	3,156,549		538,825	(2,597,724)	(2,597,724)	(1,172,147)
Other Instruction	2,314,690		332,317	(1,982,373)	(1,982,373)	(160,167)
Support Services:						
Tuition	-					
Student & Instruction Related Services	2,467,936		400,892	(2,067,044)	(2,067,044)	(297,399)
General Administrative	5,118,253		67,816	(5,050,437)	(5,050,437)	(993,650)
School Administrative Services	1,883,179		-	(1,883,179)	(1,883,179)	(295,143)
Central Services	1,408,038		-	(1,408,038)	(1,408,038)	(153,292)
Administrative Info. Technology	611,997		-	(611,997)	(611,997)	(242,149)
Plant Operations & Maintenance	74,448			(74,448)	(74,448)	(650,118)
Pupil Transportation	3,892,840		-	(3,892,840)	(3,892,840)	(543,668)
Unallocated Benefits	3,041,971		-	(3,041,971)	(3,041,971)	(1,426,537)
On Behalf TPAF Pension and Social Security Contributions	-		-	-	-	
Special Schools	-		-	-	-	(21,657)
Transfer to Charter Schools	-		-	-	-	
Interest & Other Charges	791,183		-	(791,183)	(791,183)	(320,677)
Unallocated Depreciation	-		-	-	-	(212,783)
Total Governmental Activities	40,370,616	-	4,144,101	(36,226,515)	-	(9,232,440)
Business-Type Activities:						
Food Service	784,501	595,520	192,177		3,196	3,196
Regional Transportation	702,410	780,790			78,380	78,380
Adult Schools	60,351	82,604			22,253	22,253
Technology	245,868	277,040			31,172	31,172
Total Business-Type Activities	1,793,130	1,735,954	192,177	-	135,001	135,001
Total Primary Government	\$ 42,163,746	\$ 1,735,954	\$ 4,336,278	(36,226,515)	135,001	(36,091,514)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				20,053,384		20,053,384
Property Taxes, Levied for Debt Service				1,840,231		1,840,231
Federal & State Aid Restricted				664,663		664,663
Federal & State Aid Not Restricted				15,126,628		15,126,628
Tuition Charges				138,365		138,365
Transportation				146,470		146,470
Miscellaneous				216,250	(162,549)	216,250
Transfers				162,549		-
Special Items:						
Gain/(Loss) on Capital Asset Appraisal				116,958	(1,061)	115,897
Total General Revenues, Transfers and Special Items				38,465,498	(163,610)	38,301,888
Change In Net Position				2,238,983	(28,609)	2,210,374
Net Position - Beginning				19,243,819	559,636	19,803,455
Net Position - Ending				\$ 21,482,802	\$ 531,027	\$ 22,013,829

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

B. Fund Financial Statements

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Governmental Funds

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**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	\$ 11,829,617		\$ 472,614	\$ 2	\$ 12,302,233
Receivables, Net:					
Due from Other Governments:					
State	335,397				335,397
Federal		\$ 124,909			124,909
Other Receivables	30,837				30,837
Restricted Cash & Cash Equivalents	2,914,832				2,914,832
Total Assets	<u>\$ 15,110,683</u>	<u>\$ 124,909</u>	<u>\$ 472,614</u>	<u>\$ 2</u>	<u>\$ 15,708,208</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Cash Deficit		92,226			92,226
Due to Other Governments		10,783			10,783
Accounts Payable	89,275	6,522			95,797
Unearned Revenue		15,378			15,378
Total Liabilities	<u>89,275</u>	<u>124,909</u>	<u>-</u>	<u>-</u>	<u>214,184</u>
Fund Balances:					
Restricted for:					
Capital Reserve	2,914,832				2,914,832
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	163,932				163,932
Capital Projects			472,614		472,614
Debt Service				2	2
Committed to:					
Reserve for Impact Aid	7,537,638				7,537,638
Reserve for Legal Remediation	395,500				395,500
Assigned to:					
Designated for Subsequent Year's Expenditures	1,676,981				1,676,981
Year-end Encumbrances	1,482,067				1,482,067
Unassigned	850,458				850,458
Total Fund Balances	<u>\$ 15,021,408</u>	<u>-</u>	<u>472,614</u>	<u>2</u>	<u>15,494,024</u>
Total Liabilities & Fund Balances	<u>\$ 15,110,683</u>	<u>\$ 124,909</u>	<u>\$ 472,614</u>	<u>\$ 2</u>	
Amounts reported for <i>governmental activities</i> 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 \$57,783,787 and the accumulated depreciation is \$23,426,231					
					34,357,556
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.					
Deferred Outflows related to pensions					4,441,635
Deferred Inflows related to pensions					(696,867)
Deferred Outflow related to the loss on bond refunding of debt					237,902
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.					
					(169,951)
Accrued pension contributions for the June 30, 2017 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position					
					(474,759)
Long-term liabilities, including net pension liability and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds					
					<u>(31,706,738)</u>
Net Position of Governmental Activities					<u>\$ 21,482,802</u>

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 20,053,384			\$ 1,840,231	\$ 21,893,615
Tuition Charges	138,365				138,365
Transportation	146,470				146,470
Miscellaneous	216,250	\$ 9,483			225,733
Total Local Sources	20,554,469	9,483	-	1,840,231	22,404,183
State Sources	16,266,608	18,266		664,663	16,949,537
Federal Sources	2,429,769	546,603		-	2,976,372
Total Revenues	39,250,846	574,352	-	2,504,894	42,330,092
Expenditures:					
Instruction:					
Regular Instruction	9,573,928				9,573,928
Special Education Instruction	1,964,802	101,601			2,066,403
Other Instruction	1,669,641				1,669,641
Support Services:					
Tuition	1,936,211	392,215			2,328,426
Student & Instruction Related Services	4,115,012	67,816			4,182,828
General Administrative	601,135				601,135
School Administrative Services	1,125,354				1,125,354
Central Services	472,884				472,884
Administrative Info. Technology	58,139				58,139
Plant Operations & Maintenance	2,995,136				2,995,136
Pupil Transportation	2,074,314				2,074,314
Employee Benefits	6,124,951	4,043			6,128,994
On Behalf TPAF Pension and Social Security Contributions	3,569,749				3,569,749
Capital Outlay	2,422,101	8,677			2,430,778
Debt Service:					
Principal	598,927			2,101,000	2,699,927
Interest & Other Charges	139,313			704,562	843,875
Total Expenditures	39,441,597	574,352	-	2,805,562	42,821,511
Excess/(Deficiency) of Revenues over Expenditures	(190,751)	-	-	(300,668)	(491,419)
Other Financing Sources (Uses):					
Transfers in	162,549			200,000	362,549
Transfers out			\$ (200,000)		(200,000)
Proceeds of refunding bonds				9,963,061	9,963,061
Payment to refunding bond escrow agent				(9,862,392)	(9,862,392)
Capital Lease (non-budgeted)	2,200,000				2,200,000
Total Other Financing Sources (Uses)	2,362,549	-	(200,000)	300,669	2,463,218
Net changes in fund balances	2,171,798	-	(200,000)	1	1,971,799
Fund Balance, July 1	12,849,610	-	672,614	1	13,522,225
Fund Balance, June 30	\$ 15,021,408	\$ -	\$ 472,614	\$ 2	\$ 15,494,024

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

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2017**

Total Net Changes in Fund Balances - Governmental Funds (B-2)			1,971,799
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	(1,572,543)	
	Gain/(Loss) on Capital Asset Appraisal	116,958	
	Capital Outlays	<u>2,430,778</u>	
			975,193
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 pension benefits earned exceeded the School District's pension contributions in the current period.			
			(814,808)
Repayment of long-term debt principal and obligation of lease purchase agreements are 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.			
			2,699,927
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.			
	Proceeds of long-term debt	(9,963,061)	
	Refunding Escrow Deposits	9,862,392	
	Capital lease proceeds	<u>(2,200,000)</u>	
			(2,300,669)
Governmental funds report the effect of premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these transactions is as follows:			
	Amortization of premium on bonds	23,354	
	Amortization of loss on bond refunding	<u>(7,080)</u>	
			16,274
Repayment of annual other postemployment benefits is an expenditure in the governmental funds, but the repayment of benefits decreases long-term liabilities in the statement of net position and is not reported in the statement of activities.			
			(277,407)
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 (+).			
			36,418
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 (+).			
			<u>(67,744)</u>
Change in Net Position of Governmental Activities		\$	<u><u>2,238,983</u></u>

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

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Proprietary Funds

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NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2017

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL
	FOOD SERVICE FUND	REGIONAL TRANSPORTATION PROGRAM	ADULT SCHOOL	TECHNOLOGY FUND	
Current Assets:					
Cash & Cash Equivalents	\$ 122,386	\$ 35,875	\$ 161,846	\$ 29,543	\$ 349,650
Accounts Receivable:					
State	259	-	-	-	259
Federal	5,754	-	-	-	5,754
Other	-	43,129	-	9,710	52,839
Inventories	16,480	-	-	-	16,480
Total Current Assets	144,879	79,004	161,846	39,253	424,982
Noncurrent Assets:					
Capital Assets:					
Depreciable:					
Equipment	456,464	-	15,246	-	471,710
Less: Accumulated Depreciation	(348,084)	-	-	-	(348,084)
Total Noncurrent Assets	108,380	-	15,246	-	123,626
Total Assets	253,259	79,004	177,092	39,253	548,608
Current Liabilities:					
Unearned Revenue	17,581	-	-	-	17,581
Total Current Liabilities	17,581	-	-	-	17,581
NET POSITION					
Investment in Capital Assets	108,380	-	15,246	-	123,626
Unrestricted	127,298	79,004	161,846	39,253	407,401
Total Net Position	\$ 235,678	\$ 79,004	\$ 177,092	\$ 39,253	\$ 531,027

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

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					
	FOOD SERVICE <u>FUND</u>	REGIONAL TRANSPORTATION <u>PROGRAM</u>	ADULT <u>SCHOOL</u>	TECHNOLOGY <u>FUND</u>	<u>TOTAL</u>	
Operating Revenues:						
Charges for service:						
Daily Sales - Reimbursable Programs	\$ 294,037	\$ -	\$ -	\$ -	\$ 294,037	
Daily Sales - Nonreimbursable Programs	301,483	-	-	-	301,483	
Transportation Fees		780,772			780,772	
Other Fees		18	82,604	277,040	359,662	
Total Operating Revenues	595,520	780,790	82,604	277,040	1,735,954	
Operating Expenses:						
Salaries & Wages	317,793	234,010	53,986	164,584	770,373	
Employee Benefits	12,667	117,392	-	54,823	184,882	
Supplies and Materials	26,038	89,608	1,445	-	117,091	
Depreciation	23,101	-	-	-	23,101	
Management Fee	45,262	-	-	-	45,262	
Contracted Services	-	249,599	-	-	249,599	
Repairs and Maintenance	12,278				12,278	
Miscellaneous	15,454	11,801	4,920	26,461	58,636	
Cost of Sales-reimbursable programs	185,759				185,759	
Cost of Sales-non-resimbursable programs	146,149	-	-	-	146,149	
Total Operating Expenses	784,501	702,410	60,351	245,868	1,793,130	
Operating Income/(Loss)	(188,981)	78,380	22,253	31,172	(57,176)	
Nonoperating Revenues/(Expenses):						
State Sources:						
State School Lunch Program	6,139	-	-	-	6,139	
Federal Sources:						
National School Lunch Program	124,479	-	-	-	124,479	
Healthy Hunger-Free Kids Act	8,536				8,536	
Food Distribution Program	53,023	-	-	-	53,023	
Transfer to General Fund	-	(162,549)			(162,549)	
Gain/(Loss) on Fixed Asset Appraisal	(1,061)	-			(1,061)	
Total Nonoperating Revenues/(Expenses)	191,116	(162,549)	-	-	28,567	
Change in Net Position	2,135	(84,169)	22,253	31,172	(28,609)	
Net Position - Beginning	233,543	163,173	154,839	8,081	559,636	
Net Position - Ending	\$ 235,678	79,004	\$ 177,092	\$ 39,253	\$ 531,027	

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

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	FOOD SERVICE FUND	REGIONAL TRANSPORTATION PROGRAM	ADULT SCHOOL	TECHNOLOGY FUND	TOTAL
Cash Flows From Operating Activities:					
Receipts from Customers	\$ 596,949	\$ 796,113	\$ 82,604	\$ 282,478	\$ 1,758,144
Payments to Employees	(317,793)	(234,010)	(53,986)	(164,584)	(770,373)
Payments for Employee Benefits	(12,667)	(117,392)	-	(54,823)	(184,882)
Payments to Suppliers	(376,821)	(351,633)	(9,573)	(27,268)	(765,295)
Net Cash Provided By (Used in) Operating Activities	(110,332)	93,078	19,045	35,803	37,594
Cash Flows From Noncapital Financing Activities:					
Transfers out to Other Funds	-	(162,549)	-	-	(162,549)
Cash Received From State & Federal Reimbursements	139,154	-	-	-	139,154
Net Cash Provided by (used for) Noncapital Financing Activities	139,154	(162,549)	-	-	(23,395)
Net Increase/(Decrease) in Cash & Cash Equivalents	28,822	(69,471)	19,045	35,803	14,199
Cash and Cash Equivalents, July 1	93,564	105,346	142,801	(6,260)	335,451
Cash & Cash Equivalents, June 30	\$ 122,386	\$ 35,875	\$ 161,846	\$ 29,543	\$ 349,650
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES:					
Operating Income/(Loss)	\$ (188,981)	\$ 78,380	\$ 22,253	\$ 31,172	\$ (57,176)
Adjustments to Reconcile Operating Income/(Loss)	-	-	-	-	-
to Cash Provided By (Used In) Operating Activities:					
Depreciation	23,101	-	-	-	23,101
Food Distribution Program	53,023	-	-	-	53,023
Increase/(Decrease) in Unearned Revenue	674	-	-	-	674
Increase/(Decrease) in Accounts Payable	-	(625)	(3,208)	(807)	(4,640)
Increase/(Decrease) in Interfund Payable	-	-	-	-	-
(Increase)/Decrease in Inventory	1,096	-	-	-	1,096
(Increase)/Decrease in Accounts Receivable	755	15,323	-	5,438	21,516
Total Adjustments	78,649	14,698	(3,208)	4,631	94,770
Net Cash Provided By (Used In) Operating Activities	\$ (110,332)	\$ 93,078	\$ 19,045	\$ 35,803	\$ 37,594

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Fiduciary Fund

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**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

ASSETS	PRIVATE PURPOSE <u>TRUST FUNDS</u>	AGENCY <u>FUNDS</u>	<u>TOTAL</u>
Cash & Cash Equivalents	\$ 180,805	\$ 343,961	\$ 524,766
Total Assets	<u>180,805</u>	<u>343,961</u>	<u>524,766</u>
LIABILITIES			
Payroll Deductions & Withholdings	-	17,082	17,082
Accounts Payable	6,214	-	6,214
Due to Student Groups	-	326,879	326,879
Total Liabilities	<u>6,214</u>	<u>343,961</u>	<u>350,175</u>
NET POSITION			
Held in Trust For:			
Unemployment Claims	42,814	-	42,814
Retirement Claims	131,777	-	131,777
Total Net Position	<u>\$ 174,591</u>	<u>\$ -</u>	<u>\$ 174,591</u>

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2017**

	PRIVATE PURPOSE <u>TRUST FUNDS</u>
ADDITIONS:	
Contributions:	
Deductions From Employees' Salaries	\$ 50,691
Total Contributions	<u>50,691</u>
Total Additions	<u>50,691</u>
DEDUCTIONS:	
Unemployment Claims	<u>71,614</u>
Total Deductions	<u>71,614</u>
Change in Net Position	(20,923)
Net Position - Beginning of Year	<u>195,514</u>
Net Position - End of Year	<u><u>\$ 174,591</u></u>

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Northern Burlington County Regional School District (hereafter referred to as the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

The Northern Burlington County Regional School District is a Type II School District located in the County of Burlington, State of New Jersey. As a Type II School District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three members' terms expire each year. The purpose of the School District is to educate students in grades seven through twelfth. The School District has an approximate enrollment at June 30, 2017 of 2,131 students.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name);
- ◆ the School District holds the corporate powers of the organization;
- ◆ the School District appoints a voting majority of the organization's board
- ◆ the School District is able to impose its will on the organization;
- ◆ the organization has the potential to impose a financial benefit/burden on the School District
- ◆ there is a fiscal dependency by the organization on the School District.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. The School District had no component units as of for the year ended June 30, 2017.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting, Measurement Focus and Financial Statement Presentation

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

The School District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the School District accompanied by a total column. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in three categories: 1) charges for services, 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.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

B. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The School District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The School District's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School District, are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

B. Governmental Fund Financial Statements (continued)

compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the School District. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the School District and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The School District funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The School District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the School District and 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 noninstructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey Department of Education the School District includes budgeted capital outlay in this fund. Generally accepted accounting principles 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, interest earnings and appropriated fund balance. Expenditures are those that 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.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

B. Governmental Fund Financial Statements (continued)

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenue from state and federal government, other than major capital projects, debt service or proprietary funds, and local appropriations that are restricted or committed to expenditures for specified purposes.

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 the acquisition of construction of major capital facilities, other than those financed by proprietary funds. The financial resources are derived from New Jersey School Development Authority grants, temporary notes, capital leases, or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for the accumulation of financial resources that are restricted, committed, or assigned to an expenditure for the payment of general long-term debt principal, interest and related costs of governmental funds.

C. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The School District reports the following major proprietary funds:

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

Regional Transportation Program – This fund accounts for the revenues and expenses pertaining to the School District’s transportation services provided to other districts.

Adult School – This fund accounts for the revenues and expenses pertaining to the School District’s adult education evening school program.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

C. Proprietary Fund Financial Statements

Technology Fund – This fund accounts for the revenues and expenses pertaining to the School District’s adult education evening school program.

D. Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The School District’s fiduciary funds include Agency and Private-Purpose Trust Funds. Private Purpose Trust and Agency Funds are used to account for and report assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, and other governments. Private Purpose Trust and Agency Funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The School District reports the following fiduciary funds:

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

Unemployment Trust Fund – Revenues consist of employee payroll withholdings, interest income, and contributions through the annual budget process of the School District. Expenditures consist of unemployment reimbursement claims.

Scholarship Fund – Revenues consist of interest income and donations. Expenditures consist of scholarships provided to students.

Agency Funds - Agency funds (payroll and student activity funds) are assets held by a governmental entity either as trustee or as an agent for other parties and cannot be used to finance the governmental entities own operating programs.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the School District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. 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:23-2-2(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:23-2-11.

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 payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Budgets/Budgetary Control (continued)

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 grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting 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 accounts as presented in the general fund budgetary comparison schedules 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 Balance – 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 modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as assigned fund balances 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 special revenue fund for which the School District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue 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 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. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are considered cash equivalents and stated at cost.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments (continued)

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"). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks 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 full amount of their deposits to the governmental units.

For purposes of the statement of cash flows, the School District considers all highly liquid investments (including restricted assets) with a maturity when purchased of twelve months or less and all local government investment pools to be cash equivalents

Tuition Receivable/Payable

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

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the School District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. All reported capital assets except land and construction in progress are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The School District does not possess any infrastructure. The School District has established a threshold of \$2,000 for capitalization of depreciable assets.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	10-20 Years	N/A
Buildings and Improvements	10-50 Years	N/A
Furniture and Equipment	5-20 Years	5-12 Years
Vehicles	5-10 Years	4-6 Years

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are 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 entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

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 measureable and the School District is eligible to realize the revenue.

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, government 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.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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 assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Loss on Refunding Debt

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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 pension plan's fiduciary net position of the Public Employees' Retirement System (PERS) and Teacher's Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF'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.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the governmental funds financial statements are classified into the following five categories, as defined below:

- Non-spendable – This 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. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These 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) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the School District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position, represents the difference between 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 components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – This component of 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 – This component of net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2017:

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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the School District's financial statements

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the School District's financial statements.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Impact of Recently Issued Accounting Principles (continued)

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*. The adoption of this Statement had no impact on the School District's financial statements.

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 School District's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

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. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Impact of Recently Issued Accounting Principles (continued)

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the School District's financial statements.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2017, the School District's bank balance of \$16,982,819 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$ 16,342,687
Uninsured and Uncollateralized	<u>640,132</u>
	<u>\$ 16,982,819</u>

Investments

The School District had no investments at June 30, 2017.

Note 3. Reserve Accounts

Capital Reserve

A capital reserve account was established by the School District by inclusion of \$10,000 on October 10, 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 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 either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant *N.J.S.A.19:60-2*. Pursuant to *N.J.A.C.6:23A-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, 2016 to June 30, 2017 fiscal year is as follows:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 3. Reserve Accounts (continued)

Capital Reserve (continued)

Beginning Balance, July 1, 2016	\$ 2,506,717
Increased by:	
Deposits approved by Board	<u>408,115</u>
Ending Balance, June 30, 2017	<u>\$ 2,914,832</u>

Federal Impact Aid Reserve

General Fund

The School District receives a large portion of its annual operating revenue from Federal Impact Aid. As permitted by P.L.2015, c.46 which amended N.J.S.A. 18A:7F-41 a federal impact reserve account was established by the Board of Education by board resolution for the amount of federal impact aid funds received during the current fiscal year for use as general fund expenditures in subsequent fiscal years. The federal impact aid general reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Transfers to the impact aid reserves shall not exceed the total amount of federal impact aid received, by federally designated category, i.e. general fund or capital, in the fiscal year. The board, at its discretion, may use the funds in the reserve accounts to finance the School District's general fund, in a manner consistent with federal law. The total amount of funds on deposit in the reserve account shall not be limited.

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

Beginning Balance, July 1, 2016	\$ 6,268,117
Increased by:	
Deposits approved by Board	<u>1,333,423</u>
	7,601,540
Decreased by:	
Withdrawals	<u>(63,902)</u>
Ending Balance, June 30, 2017	<u>\$ 7,537,638</u>

Note 4. Accounts Receivable

Accounts receivable at June 30, 2017 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the School District's governmental and business-type activities as of June 30, 2017, consisted of the following:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 4. Accounts Receivable (continued)

<u>Description</u>	<u>Governmental Funds</u>			<u>Proprietary Funds</u>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>Regional Transportation Fund</u>	<u>Technology Fund</u>	<u>Total Business-Type Activities</u>
Federal Awards		\$ 124,909	\$ 124,909	\$ 5,754			\$ 5,754
State Awards	\$ 335,397		335,397	259			259
Tuition	9,841		9,841				-
Other	20,996		20,996		\$ 43,129	\$ 9,710	52,839
Total	\$ 366,234	\$ 124,909	\$ 491,143	\$ 6,013	\$ 43,129	\$ 9,710	\$ 58,852

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 640,900	\$ -	\$ -	\$ 640,900
Total Capital Assets not being depreciated	640,900	-	-	640,900
Capital Assets being depreciated:				
Land Improvements	5,567,527	2,200,000		7,767,527
Buildings and Improvements	42,150,309			42,150,309
Equipment	6,933,056	230,778	61,217	7,225,051
Total Capital Assets being depreciated	54,650,892	2,430,778	61,217	57,142,887
Less: Accumulated Depreciation:				
Land Improvements	(3,069,041)	(319,638)		(3,388,679)
Buildings and Improvements	(13,511,362)	(855,405)		(14,366,767)
Equipment	(5,329,026)	(397,500)	55,741	(5,670,785)
Total Accumulated Depreciation	(21,909,429)	(1,572,543)	55,741	(23,426,231)
Total Capital Assets being depreciated, net	32,741,463	858,235	116,958	33,716,656
Total Governmental Activities Capital Assets, net	\$ 33,382,363	\$ 858,235	\$ 116,958	\$ 34,357,556

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 5. Capital Assets (continued)

	Balance July 1, <u>2016</u>	<u>Additions</u>	Retirements and Transfers	Balance June 30, <u>2017</u>
Business-Type Activities:				
Equipment	\$ 477,016	\$ -	\$ (5,306)	\$ 471,710
	<u>477,016</u>	<u>-</u>	<u>(5,306)</u>	<u>471,710</u>
 Less: Accumulated Depreciation:				
Equipment	(329,228)	(23,101)	4,245	(348,084)
	<u>(329,228)</u>	<u>(23,101)</u>	<u>4,245</u>	<u>(348,084)</u>
 Total Business-Type Activities Capital Assets, net	 \$ 147,788	 \$ (23,101)	 \$ (1,061)	 \$ 123,626

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

Governmental Activities:	
Regular Instruction	\$ 140,229
Student and Instruction Related Services	125,849
General Administration	1,138,868
Plant Operations and Maintenance	43,758
Pupil Transportation	<u>123,839</u>
 Total Depreciation Expense	 <u>\$ 1,572,543</u>

Note 6. Interfund Receivables, Payables and Transfers

There were no individual fund receivables/payables balances at June 30, 2017.

A summary of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 162,549	
Capital Projects Fund		\$ 200,000
Debt Service Fund	200,000	
Regional Transportation Fund	<u> </u>	<u>162,549</u>
	<u>\$ 362,549</u>	<u>\$ 362,549</u>

The purpose of the interfund transfer from the capital projects fund to the debt service fund was to use the remaining unspent proceeds from capital projects to be used for current and future debt service payments related to the completed capital projects.

The purpose of the interfund transfer from the regional transportation fund to the general fund was to purchase buses in the general fund.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 7. Long-Term Obligations

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Balance Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 14,331,000	\$ 9,155,000	\$ 11,966,000	\$ 11,520,000	\$ 975,000
Capital Leases	545,121	2,200,000	598,927	2,146,194	579,503
Unamortized Bond Premiums	61,152	808,061	84,506	784,707	56,051
Compensated Absences	1,221,490	114,457	46,713	1,289,234	
Net Pension Liability	11,238,779	5,781,613	2,901,588	14,118,804	
OPEB Liability	1,570,392	307,333	29,926	1,847,799	
	<u>\$ 28,967,934</u>	<u>\$ 18,366,464</u>	<u>\$ 15,627,660</u>	<u>\$ 31,706,738</u>	<u>\$ 1,610,554</u>

For governmental activities, the bonds payable are liquidated from the School District's debt service fund. Compensated absences, unamortized bond premiums, capital leases, other post-employment benefits (OPEB) liability and net pension liability are liquidated by the general fund.

Bonds Payable

The voters of the municipality through referendums authorize bonds in accordance with State Law. All bonds are retired in serial installments within the statutory period of usefulness.

On Jun 17, 2009, the School District issued \$2,731,000 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 2.500% to 4.500% and mature on July 15, 2024.

The 2006 Refunding Bonds were issued on November 2, 2006 to refund the callable portion of the outstanding 2002 Bond Issue. On January 26, 2017, the School District issued \$9,155,000 of Refunding Bonds to refund the callable portion of the outstanding 2006 Refunding Bonds in the amount of \$9,865,000. The 2017 Refunding Bonds generated \$1,042,172 in gross debt service savings and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$858,647, or a net annual present value savings of 8.703978%. The Refunding Bonds were issued at interest rates varying from 2.000% to 5.000% and mature on March 1, 2031.

Principal and interest due on the outstanding bonds is as follows:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 7. Long-Term Obligations (continued)

Bonds Payable (continued)

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 975,000	\$ 885,753	\$ 1,860,753
2019	940,000	406,888	1,346,888
2020	940,000	380,050	1,320,050
2021	935,000	342,575	1,277,575
2022	925,000	304,925	1,229,925
2023-2027	4,125,000	974,725	5,099,725
2028-2031	2,680,000	233,600	2,913,600
	<u>\$ 11,520,000</u>	<u>\$ 3,528,516</u>	<u>\$ 15,048,516</u>

Capital Lease Payable

On August 29, 2012, the School District entered into a lease purchase agreement in the amount of \$270,000 for school buses. The lease obligation was issued at interest rate of 1.82% and matures on 8/29/2017.

On April 1, 2015, the School District entered into a lease purchase agreement in the amount of \$250,000 for school buses. The lease obligation was issued at interest rate of 1.999% and matures on 8/1/2019.

On May 4, 2016, the School District entered into a lease purchase agreement in the amount of \$235,000 for school buses. The lease obligation was issued at interest rate of 1.833% and matures on 8/1/2020.

On June 24, 2016, the School District entered into a lease purchase agreement in the amount of \$2,200,000 for various capital improvements including the construction of and renovations to the School District's High School complex parking facilities. The lease obligation was issued at interest rate of 1.430% and matures on 9/1/2020.

The future minimum lease payments for these leases is as follows:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 7. Long-Term Obligations (continued)

Capital Lease Payable (continued)

Fiscal Year Ending <u>June 30,</u>	
2018	\$ 612,025
2019	555,118
2020	555,117
2021	<u>502,766</u>
Total Minimum Lease Payments	2,225,026
Less: Amount Representing Interest	<u>(78,832)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,146,194</u>

Amortization of the leased equipment and land improvement under capital assets is included with depreciation expense.

Bonds Authorized but not Issued

As of June 30, 2017, the School District had no bonds authorized but not issued.

Note 8. Pension Plans

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. 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 PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

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.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. 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 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At June 30, 2017, the School District reported a liability of \$14,118,804 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The School District's proportion measured as of June 30, 2016, was .04767%, which was a decrease of .00239% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized full accrual pension expense of \$1,238,287 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 262,567	\$ -
Changes of Assumptions	2,924,662	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	538,363	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	241,284	696,867
School District contributions subsequent to measurement date	<u>474,759</u>	
	<u>\$ 4,441,635</u>	<u>\$ 696,867</u>

\$474,759 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is due April 1, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The 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	\$ 744,207
2019	744,206
2020	878,486
2021	740,008
2022	<u>163,102</u>
	<u>\$ 3,270,009</u>

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

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:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
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	-

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

Actuarial Assumptions – The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions:

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, 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 rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. 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).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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 PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate 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. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the 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-percentage point lower or 1-percentage point higher than the current rate:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
School District's Proportionate Share of the Net Pension Liability	\$ 17,300,947	\$ 14,118,804	\$ 11,491,670

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Collective Deferred Outflows of Resources	\$ 7,815,204,785	\$ 2,946,265,815
Collective Deferred Inflows of Resources	\$ -	\$ 360,920,604
Collective Net Pension Liability	\$ 29,617,131,759	\$ 22,447,996,119
 School District's portion	 0.04767%	 0.05007%

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which 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. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
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 22, 2010
4	Members who were eligible to enroll on or after May 22, 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. 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.

Contributions - The contribution policy for TPAF 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 7.2% in State fiscal year 2017. 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 2016, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, the employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A 18:66-33*. Therefore, the School District is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the School District does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers.

Pension Liability and Pension Expense - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2016 was \$97,603,969. The School District's proportionate share was \$0.

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, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State proportionate share of the TPAF net pension liability attributable to the School District was .12407%, which was a decrease of .00409% from its proportion measured as of June 30, 2015.

**NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

For the fiscal year ended June 30, 2017, the School District recognized \$7,333,580 in on-behalf 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.

Actuarial Assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return - 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 real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate - The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate 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. The State contributed 30% of the 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. The following represents the State's proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the net pension liability, attributable to the School District's would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

	At 1% Decrease (<u>2.22%</u>)	At Current Discount Rate (<u>3.22%</u>)	At 1% Increase (<u>4.22%</u>)
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	\$ 116,560,951	\$ 97,603,969	\$ 82,123,147
	<u>\$ 116,560,951</u>	<u>\$ 97,603,969</u>	<u>\$ 82,123,147</u>

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 fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. 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.

C. Defined Contribution Plan (DCRP)

Plan Description - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;
- Employees enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF) on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits;
- Employees enrolled in the Police and Firemen's Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually. The minimum salary in 2017 is \$8,300 and is subject to adjustment in future years.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

C. Defined Contribution Plan (DCRP) (continued)

- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per
- week for State employees, or 32 hours per week for local government or local education employees

Contributions - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the School District.

For the year ended June 30, 2017, employee contributions totaled \$11,339.32, and the School District recognized an expense for payments made to the Defined Contribution Retirement program in the amount of \$ 6,185.63.

Note 9. State Post-Retirement Medical Benefits

P.L. 1987, c. 384 and 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 post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement 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 benefits 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 employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired 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 SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 10. On-Behalf Payments for Fringe Benefits and Salaries

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2017, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$1,423,526, \$1,186,121 and \$3,392, respectively.

Note 11. 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 School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District's trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 50,691	\$ 71,614	\$ 42,814
2015-2016	29,534	56,174	63,737
2014-2015	29,508	10,728	90,377

Property and Liability Insurance – The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Joint Insurance Pool – The School District also participates in the Burlington County Insurance Pool Joint Insurance Fund (BCIP JIF) and public entity risk pool. The Pool provides its members with the following coverage:

Property – Blanket Building & Grounds	General & Automobile Liability
Environmental Impairment Liability	Workers' Compensation
School Board Legal Liability	Excess Liability
Employers Liability	Comprehensive Crime Coverage

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 12. Contingencies

State and Federal Grantor Agencies - The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

Litigation – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the School Districts' attorney that resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Economic Dependency – The School District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the School District's programs and activities.

Note 13. Deferred Compensation

The School District offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permits 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:

Lincoln Investment Planning
Waddell & Reed
AXA Equitable
Van Guard
Siracusa
CitiStreet

Note 14. 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 are granted varying amount of vacation and sick leave in accordance with the School District's personnel policies. Upon termination, employees are paid for accrued vacation. The School District policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the School District for the unused sick leave in accordance with School Districts' agreements with the various employee unions.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 14. Compensated Absences (continued)

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. At June 30, 2017, the liability for compensated absences reported on the government-wide and on the proprietary fund Statement of Net Position was \$1,289,234 and \$0, respectively.

Note 15. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, 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.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

Note 16. Commitments

The School District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as assigned to year end encumbrances in the amount of \$1,482,067.

Note 17. Post-Employment Benefits Other Than Pension Benefits

Plan Description

The Northern Burlington County Regional School District provides a medical bridge benefit payable to those retirees who are not eligible for the State Employees Health Benefits Plan (SEHBP) until the participant becomes eligible for Medicare. In order to be eligible for SEHBP a participant must have at least 25 years of service.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 17. Post-Employment Benefits Other Than Pension Benefits (continued)

Plan Description (continued)

Departments Summary of Eligibility within Labor Agreements

<u>Department</u>	<u>Minimum Years of Continuous Service</u>	<u>Maximim Years of Retiree Coverage</u>
Teachers*	15	5
Administrators	15	5
Child Study Team	15	5
Custodians	15	4
Transportation	20	3
Secretarial	15	5

* While the other Labor Agreements specify only single coverage is available, the Teachers does not specify that only single coverage is available, we have assumed Member only benefits are available upon retirement.

Benefits

The following are the monthly insurance premiums paid on behalf of the participant by the plan for the current and prior year fiscal year:

	<u>6/30/2016</u>	<u>6/30/2017</u>
Medical		
Single	\$ 715.06	\$ 809.92
Member & Spouse	\$ 1,430.14	\$ 1,619.84
Family	\$ 1,966.42	\$ 2,316.37
Parent & Child	\$ 1,251.36	\$ 1,506.45
Presrciption Drug		
Single	\$ 187.27	\$ 180.13
Member & Spouse	\$ 374.54	\$ 360.26
Family	\$ 514.99	\$ 515.17
Parent & Child	\$ 327.72	\$ 335.04
Dental		
Single	\$ 32.58	\$ 29.65
Member & Spouse	\$ 65.16	\$ 59.30
Family	\$ 87.59	\$ 79.71
Parent & Child	\$ 63.56	\$ 57.84
Total Premiums by Group		
Single	\$ 934.91	\$ 1,019.70
Member & Spouse	\$ 1,869.84	\$ 2,039.40
Family	\$ 2,569.00	\$ 2,911.25
Parent & Child	\$ 1,642.64	\$ 1,899.33

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 17. Post-Employment Benefits Other Than Pension Benefits (continued)

Summary of Valuation Results

	<u>6/30/2015</u>	<u>6/30/2017</u>
<u>Annually Required Contributions (ARC)</u>		
Amortization of Unfunded Accrued Actuarial Liability (UAAL)	\$ 77,571	\$ 77,743
Normal Cost	194,881	229,085
	<hr/>	<hr/>
Total ARC for Year	\$ 272,452	\$ 306,828
	<hr/>	<hr/>
<u>Discount Rate</u>	3.75%	3.25%
<u>Actuarial Accrued Liability</u>		
Retired participants and beneficiaries	\$ 44,419	\$ 12,001
Active Participants:		
Fully eligible to receive benefits	33,592	111,344
Not yet eligible to receive benefits	2,169,617	2,292,723
Subtotal active	<hr/> 2,203,209	<hr/> 2,404,067
	<hr/>	<hr/>
Subtotal postretirement benefits	\$ 2,247,628	\$ 2,416,068
	<hr/>	<hr/>
<u>Market Value of Assets</u>	\$ -	\$ -
	<hr/>	<hr/>
<u>Unfunded actuarial liability</u>	\$ 2,247,628	\$ 2,416,068

Benefit Payment Comparison

	<u>6/30/2015</u>	<u>6/30/2017</u>
Annually Required Contributions (ARC)	\$ 272,452	\$ 306,828
Pay-as-you-go retiree medical cost	<hr/> (37,136)	<hr/> (32,907)
	<hr/>	<hr/>
Net Increase (Decrease)	\$ 235,316	\$ 273,921
	<hr/>	<hr/>

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 17. Post-Employment Benefits Other Than Pension Benefits (continued)

Required Supplementary Information

A. Net OPEB Obligation

	<u>6/30/2015</u>		<u>6/30/2016</u>		<u>6/30/2017</u>
Annually Required Contributions (ARC)	\$ 272,452	\$	283,937	\$	306,828
Interest on the Net OPEB Obligation	40,319		49,369		50,953
Adjustment to the ARC	(37,107)		(42,294)		(50,448)
	<hr/>				
Annual OPEB Cost	275,664		291,012		307,333
Pay-as-you-go contributions (Existing Retirees)	(34,323)		(39,747)		(27,315)
	<hr/>				
Increase/(Decrease) in Net OPEB Obligation	241,341		251,265		280,018
Net OPEB Obligations, July 1	1,075,175		1,316,516		1,567,781
	<hr/>				
Net OPEB Obligations, June 30	\$ 1,316,516	\$	1,567,781	\$	1,847,799
	<hr/>				

B. Schedule

	<u>6/30/2017</u>		<u>6/30/2016</u>		<u>6/30/2016</u>
Annual OPEB Cost	\$ 275,664	\$	291,012	\$	307,333
Contribution Made	(34,323)		(39,747)		(27,315)
	<hr/>				
Remaining AOC	\$ 241,341	\$	251,265	\$	280,018
	<hr/>				
Percentage of Annual OPEB cost contributed	12.45%		13.66%		8.89%

C. Funding Progress

	<u>6/30/2017</u>		<u>6/30/2016</u>		<u>6/30/2016</u>
Actuarial Date					
Actuarial Accrued Liability (AAL)	\$ 2,247,628	\$	2,499,137	\$	2,416,068
Actuarial Value of Plan Assets	-		-		-
	<hr/>				
Unfunded Actuarial Accrued Liability (UAAL)	\$ 2,247,628	\$	2,499,137	\$	2,416,068
	<hr/>				
Funded Ratio	0.00%		0.00%		0.00%
Covered Payroll (Active Plan Members)	18,785,199		18,972,969		20,054,000
UAAL as a Percentage of Covered Payroll	11.96%		13.17%		12.05%

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 17. Post-Employment Benefits Other Than Pension Benefits (continued)

Actuarial Methods and Assumptions

Valuation date:	June 30, 2017
Measurement date:	June 30, 2017
Actuarial method:	Projected unit credit
Actuarial assumptions:	
Discount rate	3.25%
Mortality	Sex distinct RP-2014 tables with sex distinct Improvement Scale BB from the year 2014.
Turnover	In accordance with The U.S. Office of Personnel

<u>Age</u>	<u>Rate</u>
20	70.4%
40	15.9%
50	0.0%

Spouse coverage	74% with covered spouses
Spouse's age	Males are 3 years older than females
Retirement rates	100% when first eligible but not before age 55 and one more year of service.
Disability rates	No disabilities were assumed before retirement.

Inflation:

Medical Trend	
<u>Year</u>	<u>Trend</u>
2018	6.0%
2019	5.5%
2020	5.0%
2021+	4.5%

Contribution Trend	No trend
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Administrative expenses:	2.0% of net costs
ARC Amortization Period:	30 years, as a level percent of payroll
Salary Scale	3.5% per year

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 17. Post-Employment Benefits Other Than Pension Benefits (continued)

Actuarial Methods and Assumptions (continued)

Other:	For Labor agreements that did not specify only single benefits are provided we have assumed Member only benefits are available upon retirement.
Changes since prior valuation:	Changed the percent married assumption from 66% to 74%. The discount rate has changed from 3.75% to 3.25%

Justification of Assumptions

Demographic: The demographic rates utilized are standard tables that approximate recent historical demographic experience, and adjusted to reflect anticipated future experience and professional judgment. A comparison of actual vs. expected decrements, and aggregate liability gain/loss analysis were used to validate the demographic assumptions.
Administrative

Expense and Employment: The Administrative Expense and Employment assumptions approximate recent historical experience, and adjusted to reflect anticipated future experience and professional judgment. When appropriate we include the expectations of Trustees and co-professionals for these assumptions.

Investment Return: The investment return assumption is a long-term estimate that is based on historical experience, future market expectations, and professional judgment. We have utilized the investment manager's capital market expectations, and have compared those expectations with a broader market survey.

Note 18. Calculation of Excess Surplus

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve General Fund 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 was \$0.

Note 19. Fund Balances

General Fund – Of the \$15,021,408 General Fund fund balance at June 30, 2017, \$2,914,832 has been restricted for the Capital Reserve Account; \$163,932 is restricted for prior year excess surplus – designated for subsequent year's expenditures; \$7,537,638 has been committed to future use of Federal Impact aid reserves; \$395,500 has been committed for a future ground water remediation project; \$1,482,067 has been assigned to year-end encumbrances; \$1,676,981 has been assigned and included as anticipated revenue for the year ending June 30, 2018; and \$850,458 has been unassigned.

NORTHERN BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)

Note 19. Fund Balances (continued)

Capital Projects Fund – Of the \$472,614 Capital Projects Fund fund balance at June 30, 2017, \$472,614 is restricted for future capital projects approved by the School District.

Debt Service Fund – Of the \$2 Debt Service Fund fund balance at June 30, 2017, \$2 is restricted for future debt service payments.

Note 20. Deficit in Net Position

Unrestricted Net Position – The School District's governmental activities had a deficit in unrestricted net position in the amount of \$2,213,135 at June 30, 2017. The primary causes of this deficit is the School District not recognizing the receivable for the last two state aid payments and the recording of the net pension liability for the Public Employee's Retirement System (PERS) as of June 30, 2017. This deficit in unrestricted net position for governmental activities does not indicate that the School District is facing financial difficulties.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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September 27, 2018

The Board of Education of the Northern Burlington County
Regional School District,
in the County of Burlington, New Jersey
160 Mansfield Road East
Columbus, New Jersey

**RE: \$39,760,000 THE BOARD OF EDUCATION OF THE NORTHERN
BURLINGTON COUNTY REGIONAL SCHOOL DISTRICT, IN THE
COUNTY OF BURLINGTON, 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 Northern Burlington County Regional School District, County of Burlington, 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 August 13, 2018 ("Resolution"). The Bonds are authorized by a proposal adopted by the Board on January 31, 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 September 1 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 March 1 and September 1, commencing September 1, 2019, in each year until maturity or earlier redemption.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$850,000	3.000%	2030	\$1,350,000	3.000%	2040	\$1,550,000	4.000%
2021	875,000	3.000	2031	1,585,000	3.000	2041	1,500,000	4.000
2022	900,000	3.000	2032	1,575,000	3.125	2042	1,500,000	4.000
2023	925,000	3.000	2033	1,550,000	3.250	2043	1,500,000	4.000
2024	950,000	3.000	2034	1,550,000	3.250	2044	1,500,000	4.000
2025	1,200,000	3.000	2035	1,550,000	3.250	2045	1,500,000	4.000
2026	1,250,000	3.000	2036	1,550,000	3.375	2046	1,500,000	4.000
2027	1,275,000	3.000	2037	1,550,000	3.375	2047	1,500,000	4.000
2028	1,300,000	3.000	2038	1,550,000	3.375	2048	1,500,000	4.000
2029	1,325,000	3.000	2039	1,550,000	4.000			

COUNSEL WHEN IT MATTERS.SM

Mount Laurel, New Jersey | Hamilton, New Jersey | Atlantic City, New Jersey



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

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this 27th day of September, 2018 by and between The Board of Education of the Northern Burlington County Regional School District, County of Burlington, 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 \$39,760,000 ("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. Provision of Annual Report.

(a) The School District shall not later than 270 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 fifteen (15) 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. Contents of Annual Report. 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 September 13th, 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. Reporting of Significant Events.

(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. Termination of Disclosure Agreement. 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. Amendment; Waiver. 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 Northern Burlington County
Regional School District,
in the County of Burlington, New Jersey
160 Mansfield Road East
Columbus, New Jersey 08022
Attention: Richard Kaz,
Business Administrator/Board Secretary

(ii) If to the Dissemination Agent:

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505
Attention: Sherry L. Tracey, Senior 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.

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IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**THE BOARD OF EDUCATION OF THE NORTHERN
BURLINGTON COUNTY REGIONAL SCHOOL
DISTRICT, IN THE COUNTY OF BURLINGTON,
NEW JERSEY**

By: _____
RICHARD KAZ,
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 Northern Burlington County Regional School District, in the County of Burlington, New Jersey

Name of Bond Issues Affected: \$39,760,000 The Board of Education of the Northern Burlington County Regional School District, in the County of Burlington, New Jersey, School Bonds, Series 2018

Date of Issuance of the Affected Bond issue: September 27, 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 September 27, 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

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