

**OFFICIAL STATEMENT DATED APRIL 13, 2017**

**NEW ISSUE – Book-Entry Only**

**Ratings: See “RATINGS” herein**

*In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as herein defined) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See “TAX EXEMPTION” herein.*

**\$9,743,000**  
**SCHOOL BONDS, SERIES 2017**  
**THE BOARD OF EDUCATION OF THE**  
**NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT**  
**IN THE COUNTY OF HUNTERDON, NEW JERSEY**  
**(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

**CALLABLE**  
**BANK-QUALIFIED**

**Dated: Date of Delivery**

**Due: January 15, as shown on inside cover**

The \$9,743,000 aggregate principal amount of School Bonds, Series 2017 (the “Bonds”), of The Board of Education of the North Hunterdon-Voorhees Regional High School District in the County of Hunterdon, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry Bond owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July in each year, commencing January 15, 2018, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding January 1 and July 1 (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as set forth herein. See “DESCRIPTION OF THE BONDS – Redemption” herein.

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by Riker Danzig Scherer Hyland & Perretti LLP, Morristown, New Jersey, General Counsel to the Board. Acacia Financial Group, Inc., Marlton, New Jersey, served as financial advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about April 27, 2017.

**ROOSEVELT & CROSS, INC. AND ASSOCIATES**

**\$9,743,000**  
**THE BOARD OF EDUCATION OF THE**  
**NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT**  
**IN THE COUNTY OF HUNTERDON, NEW JERSEY**  
**SCHOOL BONDS, SERIES 2017**

**(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

**CALLABLE**  
**BANK-QUALIFIED**

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

<u>Maturity</u> <u>(January 15)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers**</u>
2018	\$538,000	1.00%	0.900%	660060AK0
2019	540,000	1.375	1.150	660060AL8
2020	555,000	1.500	1.350	660060AM6
2021	565,000	1.625	1.500	660060AN4
2022	585,000	1.750	1.620	660060AP9
2023	600,000	2.000	1.750	660060AQ7
2024	620,000	2.000	1.900	660060AR5
2025	640,000	2.000	2.000	660060AS3
2026	660,000	2.125	2.100	660060AT1
2027	680,000	2.250	2.150	660060AU8
2028*	700,000	2.750	2.250	660060AV6
2029*	725,000	2.750	2.400	660060AW4
2030*	750,000	2.750	2.500	660060AX2
2031*	780,000	3.000	2.550	660060AY0
2032*	805,000	3.000	2.630	660060AZ7

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\* Priced at the stated yield to the first optional redemption date of January 15, 2027.

\*\* A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. 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.

**THE BOARD OF EDUCATION OF THE  
NORTH HUNTERDON-VOORHEES  
REGIONAL HIGH SCHOOL DISTRICT  
IN THE COUNTY OF HUNTERDON, NEW JERSEY**

**BOARD MEMBERS**

President – Francis Goger  
Vice President – John Melick

Lisa Approvato  
Robert Becker  
Amy Masters  
Thomas J. Roll  
John Roncoroni  
Sandra Seidorf  
Roger Straight  
Marc Strauss  
Jessica Viotto  
Megan Wranitz

**SUPERINTENDENT**

Jeffrey Bender

**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Susan Press

**BOARD ATTORNEY**

Riker Danzig Scherer Hyland & Perretti LLP  
Morristown, New Jersey

**BOARD AUDITOR**

Suplee, Clooney & Company  
Westfield, New Jersey

**FINANCIAL ADVISOR**

Acacia Financial Group, Inc.  
Marlton, New Jersey

**BOND COUNSEL**

Wilentz, Goldman & Spitzer, P.A.  
Woodbridge, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Board, DTC and other sources deemed reliable by the Board; however, such information is not guaranteed as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Board, as to information from sources other than itself. The Board has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. 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 circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to the Constitution of the State of New Jersey, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents or laws are qualified in their entirety by reference to the particular source, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

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.

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the 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.

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

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**OFFICIAL STATEMENT**  
**OF**  
**THE BOARD OF EDUCATION OF THE**  
**NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT**  
**IN THE COUNTY OF HUNTERDON, NEW JERSEY**

**\$9,743,000**  
**SCHOOL BONDS, SERIES 2017**  
**(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)**

**CALLABLE**  
**BANK-QUALIFIED**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the North Hunterdon-Voorhees Regional High School District in the County of Hunterdon, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$9,743,000 aggregate principal amount of School Bonds, Series 2017 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Board 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 Board.

**DESCRIPTION OF THE BONDS**

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

**Terms and Interest Payment Dates**

The Bonds shall be dated their date of delivery and shall mature on January 15 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the fifteenth day of January and July (each an "Interest Payment Date"), commencing on January 15, 2018, in each of the years and at the interest rates set forth on the inside cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 1 and July 1 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry only form, without certificates. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds (the "Securities Depository"). The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 each, or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY ONLY SYSTEM" herein.

### **Redemption**

The Bonds of this issue maturing prior to January 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after January 15, 2028 are redeemable at the option of the Board in whole or in part on any date on or after January 15, 2027 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

### **Security for the Bonds**

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the School District without limitation as to rate or amount. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

### **School Bond Reserve Act (1980 N.J. Laws c. 72)**

All school bonds are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The 2003



amendments to the Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall 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. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the Treasurer of the State of New Jersey (the "State") shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive, any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

### **Authorization and Purpose**

The Bonds have been authorized and are issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board on August 16, 2016, and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 8, 2016 and (iii) a resolution duly adopted by the Board on March 16, 2017 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of 29.65% of the eligible costs of such Project. As such, the State has agreed to pay 29.65% of the annual debt service on the eligible costs financed by the Bonds each year.

## **BOOK-ENTRY ONLY SYSTEM**

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 (as such terms are defined or used herein), 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 Board. Accordingly, the Board does not make any representations concerning these matters.

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, as set forth on the inside front cover hereof, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Notices of Redemption 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 Board 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, distributions, and dividend payments 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 Board or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, nor its nominee, Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or 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 Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Board or Paying Agent. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered.

Paying Agent, upon direction of the Board, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, Bond certificates will be printed and delivered.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.**

#### **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 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 office of the Board or its paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the registrar for such purposes only upon the surrender thereof to the Board or its paying agent together with the duly executed assignment in form satisfactory to the Board

or its paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board or its 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 Dates.

### **THE SCHOOL DISTRICT AND THE BOARD**

The Board is a twelve (12) member board with members elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports through the Superintendent of Schools.

The School District provides a full range of educational services appropriate to grade nine (9) through grade twelve (12), including regular and special education programs for students of the constituent municipalities of the Township of Bethlehem, Borough of Califon, Town of Clinton, Township of Clinton, Township of Franklin, Borough of Glen Gardner, Borough of Hampton, Borough of High Bridge, Borough of Lebanon, Township of Lebanon, Township of Tewksbury and Township of Union (the "Constituent Municipalities"). The School District operates two (2) high schools, North Hunterdon High School and Voorhees High School. See "APPENDIX A – Certain Economic and Demographic Information Relating to The Board of Education of the North Hunterdon-Voorhees Regional High School District and the Constituent Municipalities in the County of Hunterdon, New Jersey."

### **THE STATE'S ROLE IN PUBLIC EDUCATION**

The Constitution of the State of New Jersey provides that the State shall provide for the maintenance and support of a thorough and efficient ("T&E") system of free public schools for the instruction of all children between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey State Board of Education (the "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 have the effect of law and that are binding upon school districts, to acquire land and other property and to decide appeals from decisions of the Commissioner (as hereinafter defined) on matters of school law or State Board regulations.

The Commissioner of Education (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, and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid and the Commissioner's consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been approved by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner with the advice and consent of the State Senate. The County Superintendent is the local representative of the

Commissioner. The County Superintendent is responsible for the daily supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, approved April 3, 2007 (A4), the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate districts through the establishment or enlargement of regional school districts, subject to voter approval.

## **STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY**

### **Categories of School Districts**

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally classified in the following categories:

(1) Type I, in which the mayor or chief executive officer ("CEO") of a municipality appoints the members of a board of education and a board of school estimate. The board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, and approves all fiscal matters;

(2) Type II, in which the registered voters within a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters with the exception set forth in the new Budget Election Law (as hereinafter defined in "School Budgetary Process"), or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, and approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters within the school district elect members of the board of education and vote upon all fiscal matters with certain exceptions. Regional school districts may be "All Purpose Regional School Districts" or "Limited Purpose Regional School Districts";

(4) State-operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of chosen freeholders of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders of the county, which approves all fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II 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 district, or the board

of education in a Type II district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district.

### **School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)**

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes if such certified budget is less than or equal to the maximum T&E budget and may appeal to the Commissioner if such certified budget amount is in excess of the maximum T&E budget. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing bodies of the constituent municipalities must develop the school budget by May 19 of each year. Should the governing bodies be unable to do so, the Commissioner establishes the local school budget.

The New Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) (the "Budget Election Law") establishes procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least fifteen percent (15%) of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November would no longer be required to submit the budget to the voters for approval if the budget is at or below the two percent (2%) property tax levy cap as provided in the New Cap Law (as hereinafter defined). For school districts that opt to change the annual school election date to November, proposals to spend above the two percent (2%) property tax levy cap would be presented to voters at the annual school election in November.

## **SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT**

### **Levy and Collection of Taxes**

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

### **Budgets and Appropriations**

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and Federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State Constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards (as defined

herein) required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

### **Tax and Spending Limitations**

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (as amended and partially repealed), first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitations were known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., P.L. 1990, c. 52 (the "QEA") (now repealed), also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "CEIFA"), as amended by P.L. 2004, c. 732, effective July 1, 2004 and P.L. 2010, c. 44, effective July 13, 2010, which followed QEA, also limits the annual increase in a school district's general fund tax levy which does not exceed the school district's adjusted tax levy, defined as the amount raised by property taxation for the purposes of the school district, excluding any debt service payments (the "Adjusted Tax Levy"). The CEIFA limited the amount school districts can increase their annual current expense and capital outlay budgets (the "Spending Growth Limitations"). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Prior amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (3%). As a result of recent amendments to CEIFA, the budget presented to the voters may not have an increase in the Adjusted Tax Levy that exceeds the pre-budget year Adjusted Tax Levy and an adjustment for enrollment by two percent (2%). See the description of the New Cap Law (as defined herein) below. A school district is required to submit, as applicable, to the board of school estimate or to the voters of the district at the annual school budget election, a general fund tax levy if it exceeds the school district's Adjusted Tax Levy as calculated by N.J.S.A. 18A:7F-38 and 39. Any school district may also submit at the annual school budget election, a separate proposal or proposals for additional funds, including interpretive statements, specifically identifying the program purposes for which the proposed funds shall be used. The Executive County Superintendent may prohibit the submission of such a separate proposal if he or she determines that the district has not implemented all potential efficiencies in the administrative operations of the district, which efficiencies would eliminate the need for such additional funds. Parts of the CEIFA have been found to be unconstitutional. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

P.L. 2010, c. 44, effective July 13, 2010 (the "New Cap Law"), further provides limitations 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. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein. The New Cap Law provides for certain adjustments to the tax levy cap for specific circumstances relating to enrollment increases, health care cost increases and increases in amounts for certain normal and accrued liability pension contributions.

The New Cap Law provides that school districts may submit to voters during April school elections or on other dates set by regulation of the Commissioner, a proposal or proposals to increase the Adjusted Tax Levy by more than the allowable amount authorized pursuant to N.J.S.A. 18A:7F-38. The proposal or proposals to increase the Adjusted Tax Levy shall be approved if a majority of the people voting shall vote affirmatively. For school districts with boards of school estimate, the additional Adjusted Tax Levy shall be authorized only if a quorum is present for the vote and a majority of those board members who are present vote affirmatively to authorize the Adjusted Tax Levy.

Debt service on bonds, such as the Bonds, is not limited either by the two percent (2%) cap on the tax levy increase imposed by the New Cap Law.

### **Issuance of Debt**

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years, (ii) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district), and (iii) there must be filed with the State by each municipality comprising a school district a Supplemental Debt Statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

### **Temporary Financing (N.J.S.A. 18A:24-3)**

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 (1) year periods, with the final maturity not exceeding five (5) 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 subsequent to such third anniversary date from funds other than the proceeds of obligations. School districts must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

### **Capital Lease Financing**

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five (5) years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, repealed the authorization to enter into facilities leases in excess of five (5) years. The payment of rent on an equipment lease and on a five (5) year and under facilities lease is treated as a current expense and within the cap on the school district's budget. Under the CEIFA, lease purchase payments on leases in excess of five (5) years issued under prior law are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's tax levy cap.

### **Debt Limitation (N.J.S.A. 18A:24-19)**

Except as provided below, no additional debt shall be authorized 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 grades nine (9) through twelve (12) school district, the School District can borrow up to 3% of the average equalized valuation of taxable property in the School District. The School District has not exceeded its 3% debt limit. See "APPENDIX A – Certain Economic and Demographic Information Relating to The Board of Education of the North Hunterdon-Voorhees Regional High School District and the Constituent Municipalities in the County of Hunterdon, New Jersey."

### **Exceptions to Debt Limitation**

A Type II school district (other than a regional district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e. the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent 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.



## Energy Saving Obligations

Under P.L. 2009, c. 4, approved January 21, 2009 and effective 60 days thereafter, school districts may issue "energy savings obligations" without voter approval to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements provided that the amount of the savings will cover the cost of the improvements.

## SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State of New Jersey (the "Court") ruled in *Robinson v. Cahill* that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court's ruling, the Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 *et seq.*, P.L. 1975, c. 212 (the "Public School Education Act") (as amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, P.L. 1976, c. 47, as amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in *Abbott v. Burke* that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts (previously called "Abbott Districts", now referred to as "SDA Districts") were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

The School District is not an "SDA District".

The legislative response to *Abbott v. Burke* was the passage of the QEA (now repealed). The QEA established a new formula for the distribution of State aid for public education, beginning with the 1991-92 fiscal year. The QEA provided a formula that took into account property values and personal income to determine a school 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 QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

On July 12, 1994, the Court declared the school aid formula under the QEA unconstitutional on several grounds as it applied to the 28 SDA Districts in the ongoing litigation commonly known as *Abbott v. Burke II*. No specific remediation was ordered, but the 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 any new formula would be implemented during the 1997-1998 fiscal period and thereafter.

In keeping with the Court's deadline, the Governor signed the CEIFA into law on December 20, 1996. The CEIFA departed from other funding formulas adopted in the State by defining what constituted a "thorough and efficient" education, as is required by the Constitution of the State. The CEIFA further established the costs necessary provide each student with such an education.

In defining what constitutes a "thorough" education, the State Board adopted a set of Core Curriculum Content Standards (the "Core Curriculum Content Standards"). The purpose of the Core Curriculum Content 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 CEIFA provided State funding assistance in the form of Core Curriculum Content Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Content Standards.

On May 14, 1997, the Court held that the CEIFA was unconstitutional as applied to the SDA Districts because (1) its funding provisions failed to assure that students in such districts would receive a thorough and efficient education and (2) supplemental programs to increase student performance in such districts were neither adequately identified nor funded. The Court recognized the Core Curriculum

Content Standards as a valid means of identifying 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 SDA Districts. To bridge the gap between SDA Districts and non-special needs districts, the Court ordered the parity remedy, designed as an interim remedy whereby the State would provide parity aid and supplemental funding to SDA Districts. The CEIFA has not been used to calculate State aid for public schools since the 2001-2002 school year.

Pursuant to the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), which became law on July 18, 2000, the State provides aid to school facilities projects. Under the EFCFA, the State provides one hundred percent (100%) State funding for school facilities projects undertaken by SDA Districts; for non-SDA Districts, the State provides aid in an amount equal to the greater of the district aid percentage or forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid is established prior to the authorization of the project.

Since the 2010-2011 fiscal year, the State has funded debt service aid at eighty-five (85%) of the amount that school districts were entitled to receive under the EFCFA. See "Recent Developments in the Reduction of State Aid" herein.

### **The School Funding Reform Act of 2008**

The School Funding Reform Act of 2008 (the "SFRA") was signed into law in January 2008 and is a five-year product of the State's latest effort to craft a redesigned school funding formula that satisfies the constitutional standard. While the SFRA maintains the Core Curriculum Content Standards established by the CEIFA, it repeals the provisions of the CEIFA which established State aid formulas for programs to support the Core Curriculum Content Standards and has established new formulas. Essentially, the SFRA provides State aid to school districts while also requiring certain levels of local funding. It is a weighted school funding formula which identifies a base cost associated with the education of an elementary pupil without any particular special needs. Once the per-pupil amount is identified, the amount is increased to reflect factors that increase the cost of education, such as (i) grade level, and whether the pupil is (ii) an at-risk pupil (eligible for free or reduced-price lunch), (iii) a Limited English Proficiency ("LEP") pupil, or (iv) a special education student of mild, moderate or severe classification.

The formula is further comprised of several funding mechanisms, the central component being the Adequacy Budget, a wealth equalized budget based on the school district's ability to provide funding through local resources (the "Adequacy Budget"). The Adequacy Report (the "Adequacy Report") establishes the base pupil cost necessary to provide the thorough and efficient education for an elementary school student. Such amount will be adjusted to reflect the differing cost of education a student at the middle and high school levels and various other factors as set forth in the SFRA. Based upon the school district's property and personal income wealth, a local share of such Adequacy Budget is determined. State aid will be provided for that portion of the Adequacy Budget which cannot be supported locally. The SFRA guarantees a minimum two percent (2%) increase in State aid for each school district.

The Department must provide an Adequacy Report every three (3) years addressing the weighted factors that comprise the Adequacy Budget and the various additional components of the SFRA: equalization aid, categorical aid, preschool aid, extraordinary aid, adjustment aid and education adequacy aid.

The constitutionality of the SFRA was challenged and was held to be constitutional by the Court on May 28, 2009.

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

## **SUMMARY OF 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 Every Student Succeeds Act of 2015, enacted December 10, 2015, is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such Federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

## **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), governs the issuance of bonds and notes to finance certain municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Constituent Municipalities are general full faith and credit obligations.

The authorized bonded indebtedness of each of the Constituent Municipalities is limited by statute, subject to certain exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the Borough as annually determined by the New Jersey Board of Taxation are set forth in APPENDIX A.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

A municipality may exceed its debt limit with the approval of the Local Finance Board, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, a municipality may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the municipality to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

A municipality may sell "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as it may be amended and supplemented,

creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

### **Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the State local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, New Jersey Department of Community Affairs (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it has been certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law, N.J.S.A. 40A:4-1 et seq. (the "Local Budget Law") requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit, may review the adequacy of such appropriations.

Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year in which they were issued.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations. N.J.S.A. 40A:4-22. If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

A provision in the Local Budget Law, N.J.S.A. 40A:4-26, provides that: "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues, except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with a municipality's calendar fiscal year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body. However, with minor exceptions, such

appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon taxable property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

#### **Annual Audit (N.J.S.A. 18A:23-1 et seq.)**

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. The audit must be performed by a licensed public school accountant no later than five (5) months after the end of the school fiscal year. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

#### **Fiscal Year Adjustment Law (1991 N.J. Laws c. 75)**

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year.

Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the act is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well.

### **State Supervision**

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law, or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

### **Appropriations “Cap”**

The New Jersey “Cap Law” (the “Cap Law”) (N.J.S.A. 40A:4-45.1 et seq.) places limits on municipal tax levies and expenditures. The Cap Law provides that a local unit shall limit any increase in its budget to two and one-half percent (2.5%) or the Cost-Of-Living Adjustment (as defined in the Cap Law), whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than two and one-half percent (2.5%), a local unit may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the local unit for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than three and one-half percent (3.5%) over the previous year’s final appropriations. In addition, N.J.S.A. 40A:4-45.15a restored “CAP” banking to the Local Budget Law. Municipalities are permitted to appropriate available “CAP Bank” in either of the next two (2) succeeding years’ final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “CAP”.

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both the budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the county or municipality to levy *ad valorem* taxes upon all taxable property within its boundaries to pay debt service on its bonds and notes.

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income (where appropriate). Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. However, a divergence of the assessment ratio to true value is typically due to changes in market value over time.

Upon the filing of certified adopted budgets by the local unit, the local school district and the county, the tax rate is struck by the county Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 *et seq.* Special taxing districts are permitted in the State for various special services rendered to the properties located within the special districts.

Generally, tax bills are mailed annually in June of the current fiscal year. The taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged for the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00. Pursuant to 1991 N.J. Laws c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest rates are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

### **Tax Appeals**

State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the county Board of Taxation on or before April 1 of the current year for review. The county Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the county Board of Taxation, appeal may be made to the Tax Court of the State of New Jersey (the "State Tax Court") for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

### **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 *et seq.*)**

This law regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Director. A synopsis of the report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the local unit's receipt of the audit report.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Board as of and for the fiscal year ended June 30, 2016 together with the notes to the financial statements have been provided by Suplee, Clooney & Company, Westfield, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). See "APPENDIX B – Financial Statements of the North Hunterdon-Voorhees Regional High School District in the County of Hunterdon, New Jersey."

## **FINANCIAL ADVISOR**

Acacia Financial Group, Inc., Marlton, New Jersey, has served as Financial Advisor to the Board with respect to the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the Appendices hereto. The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **LITIGATION**

To the knowledge of the Board Attorney, Riker Danzig Scherer Hyland & Perretti LLP, Morristown, New Jersey (the "Board Attorney"), without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, there is no litigation of any nature now pending or threatened against the Board, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

## **TAX EXEMPTION**

### **Federal Income Tax Treatment**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause such interest to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds, and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item



under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals and corporations.

### **Premium Bonds**

The Bonds maturing on January 15 of the years 2018 through 2024, inclusive and 2026 through 2032, inclusive (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

### **Additional Federal Income Tax Consequences Relating to Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

### **State Taxation**

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See "APPENDIX C – Form of Approving Legal Opinion" for the complete text of the proposed form of Bond Counsel's approving legal opinion.

### **Prospective Tax Law Changes**

Federal, state or local legislation, administrative pronouncements or court decisions may affect the Federal and State tax-exempt status of interest on the Bonds and the State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

### **Other Tax Consequences**

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, State, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

**PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO ALL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF HOLDING THE BONDS.**

#### **BANK-QUALIFIED BONDS**

The Bonds will be designated as "qualified tax-exempt obligations" under Section 265 of the Code by the Issuer for an exemption from the denial of deduction for interest paid by financial institutions to purchase or carry tax-exempt obligations. The Board will furnish to the Underwriter (as herein after defined) at the time of delivery of any payment for the Bonds, a certificate executed by the Business Administrator/Board Secretary of the Board designating the Bonds "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B)(ii) of the Code, and in such certificate the Board will represent that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$10,000,000 of tax-exempt obligations in the current calendar year.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

#### **RISK TO HOLDERS OF BONDS**

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

#### **Municipal Bankruptcy**

**THE BOARD HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.**

The undertakings of the Board should be considered with reference to 11 U.S.C. §101 *et seq.*, as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court 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 this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a political subdivision must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special

revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a political subdivision, including the Board, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as APPENDIX C. Certain legal matters will be passed upon for the Board by its Board Attorney.

### **PREPARATION OF OFFICIAL STATEMENT**

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter by a certificate signed by the Board President and Business Administrator/Board Secretary. See "CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT" herein.

Bond Counsel has participated in the preparation and review of this Official Statement but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Financial Advisor has participated in the review of this Official Statement but has not participated in the preparation of this Official Statement except for the collection of financial, statistical or demographic information contained in APPENDIX A of this Official Statement.

The Auditor has participated in the preparation of the information contained in APPENDIX A hereto and also takes responsibility for the Financial Statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

The Board Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

All other information has been obtained from sources which the Board considers to be reliable, but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

### **RATINGS**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AAA (stable outlook)" to the Bonds based upon the creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, and the Rating Agency has also assigned a rating of "A- (negative outlook)" based solely upon such Act.

The ratings reflect only the views of the Rating Agency and an explanation of the significance of such ratings may only be obtained from the Rating Agency. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such ratings may have an adverse effect on the marketability or market price of the Bonds.

The inclusion of the Rating Agency's "Outlook", if any, has been provided herein for informational purposes only and is not part of the "Rating" described in the above paragraphs. The "Outlook" is only the Rating Agency's forward-looking view of the School District. The School District has no obligation to treat any change in the "Outlook" as a "Material Event", as defined and described under the SEC Rule (as hereinafter defined) or under the provisions of the School District's Continuing Disclosure Agreement, or to notify Bondholders as to any changes to the "Outlook" after the date hereof.

### **UNDERWRITING**

The Bonds are being purchased from the Board by Roosevelt & Cross, Inc. and Associates (the "Underwriter"), at a price of \$9,743,000.00. The purchase price of the Bonds reflects the par amount of Bonds equal to \$9,743,000.00, minus an Underwriter's discount of \$153,512.98 plus an original issue premium of \$153,512.98. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

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

### **SECONDARY MARKET DISCLOSURE**

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2017 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access ("EMMA") system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "SEC Rule").

Within the five (5) years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the SEC Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending 2012-2016; and (ii) operating data for the fiscal years ending 2012-2016. Additionally, the Board previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; and (ii) operating data, all as described above, and late filing notices and/or event notices in connection with certain rating changes. Such notices of events and late filings have since been filed with EMMA.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Susan Press, (908) 735-2846, or to Anthony J. Pannella, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6460.

## **CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT**

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one or more of its authorized officials to the effect that he/she has examined this Official Statement (including the Appendices) and the financial and other data concerning the School District contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds, there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Board since the date hereof.

The Board has authorized the preparation of this final Official Statement containing pertinent information relative to the Bonds, and this Official Statement is deemed to be the final Official Statement as required by Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. By awarding the Bonds to the Underwriter, the Board agrees that, within the earlier of seven (7) business days following the date of such award or to accompany the purchasers' confirmations requesting payment for the Bonds, it shall provide without cost to the Underwriter, for distribution purposes, copies of this final Official Statement. The underwriter agrees that (i) it shall accept such designation, and (ii) it shall assure the distribution of the final Official Statement.

**THE BOARD OF EDUCATION OF THE NORTH  
HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL  
DISTRICT IN THE COUNTY OF HUNTERDON, NEW  
JERSEY**

/s/ Susan Press

**SUSAN PRESS,**

**Business Administrator/Board Secretary**

**DATED: April 13, 2017**

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## **APPENDIX A**

**Certain Economic and Demographic Information Relating to the  
North Hunterdon-Voorhees Regional High School District  
and the Constituent Municipalities  
in the County of Hunterdon, New Jersey**

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**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO  
THE BOARD OF EDUCATION OF  
THE NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
AND THE CONSTITUENT MUNICIPALITIES  
IN THE COUNTY OF HUNTERDON, NEW JERSEY**

**SUMMARY**

The School District, a Type II district, is an independent legal entity under the laws of New Jersey and is coterminous with Bethlehem Township, Califon Borough, Clinton Town, Clinton Township, Franklin Township, Glen Gardner Borough, Hampton Borough, High Bridge Borough, Lebanon Borough, Lebanon Township, Tewksbury Township and Union Township.

The School District, serving all of the Constituent Municipalities, was formed pursuant to Chapter 13 of Title 18A of the New Jersey Statutes, which authorizes two (2) 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 solely operates two (2) high schools. The School District is geographically coterminous with the Constituent Municipalities, which are located in Hunterdon County in the northwestern part of the State, approximately 55 miles from New York City and 70 miles from Philadelphia.

North Hunterdon High School is located in Clinton Township and serves Bethlehem Township, Clinton Town, Clinton Township, Franklin Township, Lebanon Borough and Union Township. Voorhees High School is located in Lebanon Township and serves Califon Borough, Hampton Borough, High Bridge Borough, Glen Gardner Borough, Lebanon Township and Tewksbury Township. The 174 square mile district had an estimated combined population of 51,047 in 2010. The high schools provide full levels of services appropriate to grades 9 through 12, including regular and special education students. North Hunterdon High School has a current enrollment of 1,687 students. Voorhees High School has a current enrollment of 1,060 students.

**TRENDS OF ENROLLMENT<sup>1</sup>**

<u>Year</u>	<u>Total School District Enrollment*</u>
2016-2017	2,747
2015-2016	2,828
2014-2015	2,822
2013-2014	2,893
2012-2013	2,942
2011-2012	2,958

**PROJECTED ENROLLMENT<sup>1</sup>**

<u>Year</u>	<u>Total School District Enrollment*</u>
2017-2018	2,699
2018-2019	2,597
2019-2020	2,443
2020-2021	2,363
2021-2022	2,297

\* Includes Special Education students and vocational students.

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<sup>1</sup> Source: North Hunterdon-Voorhees Regional High School District

## **STAFF**

The School District employs 61 instructional personnel, 7 district level administrators, 20 school level administrators, 41 Operations and Maintenance department employees, 25 aides and 55 non-instructional support which include secretaries, technicians and clerks.

## **LABOR RELATIONS**

Teachers, secretaries, aides, custodians and bus drivers are represented by the New Jersey Education Association (the "NJEA"). The contract expires on June 30, 2018. Supervisors are represented by the New Jersey Principals and Supervisors' Association. The contract expires on June 30, 2018. The Board anticipates that a new contract will be approved prior to that time. Principals, Assistant Principals, Director of Special Services and Directors of Athletics are represented by the Administrators' Association. The contract expires on June 30, 2018. The Board anticipates that a new contract will be approved prior to that time.

## **CASH AND INVESTMENTS<sup>2</sup>**

As of June 30, 2016, the School District had the following cash balances:

General Fund	\$ 23,926,240.44
Special Revenue Fund	98,552.58
Capital Projects Fund	839,949.74
Debt Service Fund	2.17
Enterprise Fund	214,920.34
Fiduciary Fund	<u>804,089.04</u>
Total	<u>\$25,883,754.31</u>

## **CURRENT EXPENSE BUDGET REFERENDA HISTORY<sup>3</sup>**

<b><u>Budget Year</u></b>	<b><u>Budget Amount</u></b>	<b><u>Outcome of Vote</u></b>	<b><u>Vote Tally</u></b>	
			<b><u>Yes</u></b>	<b><u>No</u></b>
2016-2017	\$62,616,979	No Vote		
2015-2016	63,335,932	No Vote		
2014-2015	61,378,902	No Vote		
2013-2014	60,196,484	No Vote		
2012-2013	59,305,547	No Vote		

## **FISCAL YEAR 2016-2017 BUDGET**

The Board's budget for the 2016-2017 fiscal year is \$61,320,173. The major sources of revenue are \$47,048,907 from the tax levy, \$5,952,323 from various State aid programs and \$7,448,618 from unappropriated fund balance. Major areas of expenditures are \$17,350,451 for instruction, including salaries for teachers and other instructional staff, \$32,963,616 for business, transportation and other support services, \$3,417,020 for special education and \$5,986,101 for operation and maintenance of plant services and \$792,750 for debt service.

<sup>2</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District

<sup>3</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District

## **HISTORY OF STATE AID<sup>4</sup>**

<b><u>Fiscal Year</u></b>	<b><u>General Fund</u></b>	<b><u>Debt Service</u></b>	<b><u>Total State Aid</u></b>
2016-2017	\$5,952,323	\$0	\$5,952,323
2015-2016	5,925,213	0	5,925,213
2014-2015	6,111,515	0	6,111,515
2013-2014	5,988,065	0	5,988,065
2012-2013	5,986,670	0	5,986,670

## **PENSIONS<sup>5</sup>**

The teachers and members of the professional staff are enrolled in the New Jersey Teachers Pension & Annuity Fund ("TPAF"). All other eligible board employees are enrolled in the Public Employee's Retirement System ("PERS"). Both TPAF and PERS are administered by the Division of Pensions, within the Department of the Treasury of the State.

The payroll for employees covered by the above mentioned plans for the fiscal year ended June 30, 2016 was approximately \$25,205,064. The School District's total payroll for the fiscal year ended June 30, 2016 was approximately \$28,249,849.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on which plan they are required to join. Funding by the State and State-related employers is based upon annual actuarially determined percentages of total compensation of all active members. The amounts necessary to provide the pension systems with assets sufficient to meet the benefits of the plans are determined annually.

## **GOVERNMENT REVENUES BY SOURCE LAST FIVE FISCAL YEARS (Unaudited)<sup>6</sup>**

	<b><u>Local Tax Levy</u></b>	<b><u>Other Local Revenue</u></b>	<b><u>State Revenue</u></b>	<b><u>Federal Revenue</u></b>	<b><u>Total</u></b>
2016	\$47,442,657.98	\$473,021.36	\$12,439,525.20	\$721,190.79	\$61,076,395.33
2015	47,841,907.00	288,246.36	11,722,603.89	566,373.01	60,419,130.26
2014	47,606,384.00	897,046.38	9,823,646.12	563,714.53	58,890,793.01
2013	46,683,463.00	361,147.47	10,449,205.65	715,944.54	58,209,760.66
2012	46,682,463.00	428,425.94	8,952,878.79	1,003,829.01	57,067,596.74

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<sup>4</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District

<sup>5</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District

<sup>6</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## **SCHOOL DISTRICT DEBT LIMIT AND BORROWING MARGIN<sup>7</sup>**

The debt limitation of the School District is established by statute (N.J.S.A. 18A:24-19). The School District is permitted to incur debt up to three percent (3%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit. The total equalized valuation of real property, including improvements, in the District for the last three (3) years and the School District available borrowing margin as of June 30, 2016 (unaudited) are summarized below:

Average for the Three (3) Year Period	<u>\$8,043,849,612</u>
School District Borrowing Margin (3% of \$8,043,849,612)	241,315,488
Net School Debt as of June 30, 2016	<u>755,000</u>
Available School District Borrowing Margin	<u>\$ 240,560,488</u>

## **GENERAL INFORMATION OF THE CONSTITUENT MUNICIPALITIES**

### **Population**

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

### **POPULATION - 1980 TO 2010<sup>8</sup>**

	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
Bethlehem Township	3,045	3,104	3,820	3,979
Califon Borough	1,023	1,073	1,055	1,076
Clinton Town	1,910	2,054	2,632	2,719
Clinton Township	7,345	10,816	12,957	13,478
Franklin Township	2,294	2,851	2,990	3,195
Glen Gardner Borough	834	1,665	1,902	1,704
Hampton Borough	1,614	1,515	1,546	1,401
High Bridge Borough	3,435	3,886	3,776	3,648
Lebanon Borough	820	1,036	1,065	1,358
Lebanon Township	5,459	5,679	5,816	6,588
Tewksbury Township	4,094	4,803	5,541	5,993
Union Township	3,971	5,078	6,160	5,908
County of Hunterdon	87,361	107,776	121,989	128,349
State of New Jersey	7,365,011	7,730,188	8,414,350	8,685,920

<sup>7</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District  
Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>8</sup> Source: State of New Jersey, Data Center, Estimates of Resident Population by Municipality: Hunterdon  
County; New Jersey 2010 Population Estimates.

## MONEY INCOME<sup>9</sup>

	<b><u>MEDIAN HOUSEHOLD INCOME</u></b>	<b><u>MEDIAN FAMILY INCOME</u></b>	<b><u>PER CAPITA INCOME</u></b>
Bethlehem Township	\$127,540	\$130,580	\$44,477
Califon Borough	108,375	110,365	42,975
Clinton Town	83,850	109,375	43,354
Clinton Township	120,565	147,689	52,700
Franklin Township	104,500	118,182	46,892
Glen Gardner Borough	73,750	98,693	37,184
Hampton Borough	63,681	82,396	30,468
High Bridge Borough	90,037	108,148	40,866
Lebanon Borough	71,629	96,500	37,035
Lebanon Township	96,489	110,893	43,424
Tewksbury Township	160,224	189,833	91,644
Union Township	103,304	126,157	33,753
County of Hunterdon	100,980	121,166	48,489
State of New Jersey	\$69,811	\$84,901	\$34,858

## **EMPLOYMENT AND UNEMPLOYMENT COMPARISONS<sup>10</sup>**

For the years 2013-2016, the New Jersey Department of Labor reported the following annual average employment information for the Constituent Municipalities, the County of Hunterdon and the State of New Jersey:

	<b>Total Labor Force</b>	<b>Employed Labor Force</b>	<b>Total Unemployed</b>	<b>Unemployment Rate</b>
Bethlehem Township				
2015	2,146	2,063	83	3.9
2014	2,138	2,037	101	4.7
2013	2,149	2,033	116	5.4
Califon Borough				
2015	589	565	24	4.1
2014	586	558	28	4.8
2013	572	541	31	5.4
Clinton Town				
2015	1,414	1,361	53	3.7
2014	1,409	1,343	66	4.7
2013	1,416	1,341	75	5.3

<sup>9</sup> Source: State of New Jersey, Data Center, Money Income – 2010 Money Income by Municipality – Hunterdon County: 2010

<sup>10</sup> Source: State of New Jersey, Data Center, Annual Average Labor Force Estimates by Municipality - 2013-2016; New Jersey Labor Force Estimates for 2013-2016 by Area

	<b>Total Labor Force</b>	<b>Employed Labor Force</b>	<b>Total Unemployed</b>	<b>Unemployment Rate</b>
Clinton Township				
2015	6,094	5,833	261	4.3
2014	6,060	5,757	303	5.0
2013	6,165	5,788	377	6.1
Franklin Township				
2015	1,640	1,574	66	4.0
2014	1,637	1,554	83	5.1
2013	1,607	1,504	103	6.4
Glen Gardner Borough				
2015	1,060	1,014	46	4.3
2014	1,056	1,001	55	5.2
2013	1,073	1,000	73	6.8
Hampton Borough				
2015	727	687	40	5.5
2014	733	678	55	7.5
2013	735	678	57	7.8
High Bridge Borough				
2015	1,879	1,778	101	5.4
2014	1,859	1,754	105	5.6
2013	1,883	1,753	130	6.9
Lebanon Borough				
2015	797	760	37	4.6
2014	792	750	42	5.3
2013	777	718	59	7.6
Lebanon Township				
2015	3,484	3,332	152	4.4
2014	3,458	3,289	169	4.9
2013	3,517	3,299	218	6.2
Tewksbury Township				
2015	2,835	2,718	117	4.1
2014	2,812	2,683	129	4.6
2013	2,835	5,676	159	5.6
Union Township				
2015	2,598	2,482	116	4.5
2014	2,568	2,450	118	4.6
2013	2,617	2,463	154	5.4
County of Hunterdon				
2016	65,100	62,700	2,500	3.8%
2015	66,100	63,400	2,700	4.1
2014	65,800	62,600	3,200	4.8
2013	66,200	62,300	3,800	5.8
State of New Jersey				
2016	4,524,300	4,299,900	224,300	5.0%
2015	4,543,800	4,288,800	255,000	5.6
2014	4,513,600	4,209,700	303,900	6.7
2013	4,528,500	4,157,600	370,800	8.2

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015  
UNAUDITED<sup>11</sup>**

Net Direct Debt of School District as of December 31, 2015	\$ 7,670,090
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Net Overlapping Debt of School District:  
Municipal Debt

Bethlehem Township	\$5,664,459.50	
Califon Borough	1,548,400.00	
Clinton Town	31,232,830.25	
Clinton Township	23,742,778.53	
Franklin Township	581,505.04	
Glen Gardner Borough	2,056,362.00	
Hampton Borough	1,706,048.20	
High Bridge Borough	15,250,028.89	
Lebanon Borough	5,164,143.21	
Lebanon Township	5,881,563.00	
Tewksbury Township	19,648,709.48	
Union Township	<u>5,659,366.20</u>	
		\$ 118,136,194

Elementary Schools Debt

Bethlehem Township	4,435,000.00	
Califon Borough	925,000.00	
Clinton Town	2,939,000.00	
Clinton Township	29,370,879.00	
Franklin Township	5,335,000.00	
Glen Gardner Borough	0.00	
Hampton Borough	2,553,000.00	
High Bridge Borough	4,410,000.00	
Lebanon Borough	0.00	
Lebanon Township	0.00	
Tewksbury Township	6,074,389.00	
Union Township	12,435,000.00	
		\$ 68,477,268

County of Hunterdon – District's Share at 38.81%	<u>70,347,424</u>	<u>\$ 27,298,453</u>
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Total Direct and Overlapping Bonded Debt as of December 31, 2015	\$221,582,006
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<sup>11</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District  
Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

**GENERAL INFORMATION  
OF THE  
TOWNSHIP OF BETHLEHEM  
COUNTY OF HUNTERDON, NEW JERSEY**

The Township of Bethlehem is a rural community within the County of Hunterdon comprising approximately twenty-one (21) square miles. The Township is located about seventy (70) miles southwest of New York City and sixty (60) miles east of Philadelphia. The Township was founded in 1798. The current form of government includes an appointed Mayor and a three (3) member committee. Mountains, farmland, streams and ponds are representative of the rural nature of the Township, and the Township is very active in farmland and Open Space preservation. The countryside is peaceful and serene, offering a wonderful place for children to thrive. As expected in a rural community, Thomas B. Conley Elementary School and the Ethel Hoppock Middle School serve as focal points for some recreational activities.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE TOWNSHIP OF BETHLEHEM<sup>12</sup>  
As of December 31, 2016**

Gross Debt:

Local District School Debt:		
Total Bonds and Notes	\$ 4,215,000.00	
Share of Regional School Debt	51,854.58	
Authorized But Not Issued	0.00	
		\$ 4,266,854.58

Municipal Debt:

Issued and Outstanding: Loans	\$ 0.00	
Serial Bonds	840,000.00	
Bond Anticipation Notes	3,800,238.00	
Green Trust Loans	192,692.86	
Infrastructure Trust	339,988.01	
		\$ 5,172,918.87

Total Gross Debt \$ 9,439,773.45

Less:

Statutory Deductions:		
Local and Regional Schools	\$4,266,854.58	
Municipal Debt	0.00	
		\$ 4,266,854.58

Statutory Net Debt \$ 5,172,918.87

Average Equalized Valuation of Real Property  
(Years 2014, 2015 and 2016) \$556,644,246.00

Percentage of Gross Debt to Average  
Equalized Valuations 1.696%

Percentage of Net Debt to Average  
Equalized Valuations 0.929%

<sup>12</sup> Source: 2016 Annual Debt Statement of the Township of Bethlehem



### **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION<sup>13</sup>**

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Farm Land</u></b>	<b><u>Residential</u></b>	<b><u>Apartments</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Total</u></b>
2016	\$6,711,400	\$42,385,628	\$452,135,100	\$0	\$20,757,500	\$6,990,400	\$528,980,028
2015	6,106,000	43,080,328	450,125,100	0	20,757,500	6,990,400	527,059,328
2014	6,086,400	42,788,928	449,860,400	0	21,179,700	6,990,400	526,905,828
2013	6,211,400	43,535,128	449,801,500	0	21,179,700	6,990,400	527,718,128
2012	6,041,300	44,454,428	448,537,800	0	21,179,700	6,990,400	527,203,628
2011	6,963,800	44,379,328	450,591,300	0	21,179,700	7,290,400	530,404,528

### **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE<sup>14</sup>**

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$528,980,028	\$553,500,082	91.50%
2015	527,059,328	559,214,141	94.25
2014	526,905,828	557,218,515	94.56
2013	527,719,128	552,932,867	95.44
2012	527,203,628	561,571,824	93.88
2011	530,404,528	599,056,390	88.54

### **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)<sup>15</sup>**

<b><u>YEAR</u></b>	<b><u>TOWNSHIP</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.392	\$1.400	\$0.713	\$0.393	\$2.898
2015	0.387	1.409	0.711	0.392	2.899
2014	0.377	1.382	1.655	0.390	2.804
2013	0.372	1.387	0.676	0.388	2.823
2012	0.372	1.395	0.657	0.398	2.822

<sup>13</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>14</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>15</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>16</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
Transcontinental Gas Pipeline	\$9,759,400	1.84%
Columbia Gas Transmission	4,917,500	0.93
Asbury Graphite Mills, Inc.	2,450,000	0.46
Valley View, LLC	2,000,000	0.38
Individual Tax Payer #5	1,231,800	0.23
Individual Tax Payer #6	1,013,600	0.19
Individual Tax Payer #7	942,400	0.18
Tax Payer #8	905,400	0.17
Tax Payer #9	855,800	0.16
Tax Payer #10	839,800	0.16
<b>TOTAL</b>	<b>\$24,915,500</b>	<b>4.71%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>17</sup>

YEAR	TOTAL TAXES LEVIED	<u>COLLECTION DURING YEAR OF LEVY</u>	
		AMOUNT	PERCENTAGE
2015	\$15,332,788.83	\$15,079,071.39	98.34%
2014	14,815,591.60	14,583,609.21	98.50
2013	14,932,743.50	14,673,676.83	98.26
2012	14,915,992.00	14,590,772.00	97.73
2011	14,981,453.00	14,640,893.00	98.13

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>18</sup>

YEAR	TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF LEVY
2015	\$156,057.61	\$230,709.61	\$386,767.22	2.52%
2014	138,659.18	206,494.03	345,153.21	2.33
2013	128,610.75	231,189.98	359,800.73	2.41
2012	128,716.00	269,478.00	398,194.00	2.67
2011	110,342.00	292,189.00	402,531.00	2.69

<sup>16</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District  
Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>17</sup> Source: Township of Bethlehem Comprehensive Annual Financial Report Fiscal Year December 31, 2015.

<sup>18</sup> Source: Township of Bethlehem Comprehensive Annual Financial Report Fiscal Year December 31, 2015.

**GENERAL INFORMATION  
OF THE  
BOROUGH OF CALIFON  
COUNTY OF HUNTERDON, NEW JERSEY**

Califon is a community in north central Hunterdon County comprising 0.97 square miles. It is located thirty-four (34) miles from the City of Trenton. Califon was officially formed from Lebanon and Tewksbury Townships in 1918. It was first called California in honor of resident Jacob Neighbor's investment for his gold rush riches but was shortened to Califon in 1870 when the railroad arrived. The community contains a unique blend of architecture with buildings dating from the American Revolution and the Victorian era up to the present day. The Califon Historical Society has 170 structures registered with the national Register of Historic Places.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF CALIFON<sup>19</sup>  
As of December 31, 2016**

Gross Debt:		
Local District School Debt:		
Serial Bonds Issued and Outstanding	\$	785,000.00
Share of Regional School Debt		12,855.16
	\$	797,855.16
Municipal Debt:		
Issued and Outstanding: Loans	\$	0.00
Serial Bonds		0.00
Miscellaneous Bonds and Notes		1,495,919.00
	\$	1,495,919.00
Total Gross Debt	\$	2,293,774.16
Less:		
Statutory Deductions:		
Local and Regional Schools	\$	797,855.16
Municipal Debt		0.00
		.
Statutory Net Debt	\$	1,495,919.00
Average Equalized Valuation of Real Property		
(Years 2014, 2015, 2016)		\$137,996,478.00
Percentage of Gross Debt to Average		
Equalized Valuations		1.662%
Percentage of Net Debt to Average		
Equalized Valuations		1.084%

<sup>19</sup> Source: 2016 Annual Debt Statement of the Borough of Califon

## **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION**<sup>20</sup>

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Farm Land</u></b>	<b><u>Residential</u></b>	<b><u>Apartments</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Total Real Property</u></b>
2016	\$1,249,800	\$1,478,308	\$126,501,500	\$382,100	\$15,648,800	\$397,900	\$145,658,408
2015	1,249,800	1,478,308	126,102,000	382,100	15,917,800	397,900	145,527,908
2014	1,367,200	1,478,308	126,010,200	382,100	15,917,800	397,900	145,553,508
2013	1,432,100	1,478,308	126,313,500	417,600	15,917,800	397,900	145,957,208
2012	1,800,700	1,478,308	126,560,900	417,600	15,917,800	397,900	146,573,208
2011	1,806,700	1,813,908	127,307,700	417,600	15,917,800	397,900	147,661,608

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>21</sup>

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$145,658,408	\$142,188,996	102.44%
2015	145,527,908	138,019,640	105.44
2014	145,553,508	133,780,798	108.80
2013	145,957,208	135,547,184	107.68
2012	146,573,208	138,511,820	105.82
2011	147,661,608	147,337,466	100.22

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>22</sup>

<b><u>YEAR</u></b>	<b><u>BOROUGH</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.569	\$1.551	\$0.597	\$0.353	\$3.070
2015	0.546	1.523	0.610	0.342	3.021
2014	0.528	1.490	0.611	0.345	2.974
2013	0.486	1.465	0.545	0.345	2.841
2012	0.470	1.433	0.585	0.354	2.842

<sup>20</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>21</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>22</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>23</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
County Square, Inc.	\$2,389,700	1.64%
Individual Tax Payer #2	1,615,500	1.11
Columbia Gas Transmission	1,565,700	1.07
Staiano Wood Products, Inc.	1,060,500	0.73
Individual Tax Payer #5	974,800	0.67
Individual Tax Payer #6	780,000	0.54
Individual Tax Payer #7	738,300	0.51
D&B Holding, LLC	693,800	0.48
Emkar Properties, LLC	673,100	0.46
Tax Payer #10	670,700	0.46
<b>TOTAL</b>	<b>\$11,161,400</b>	<b>7.66%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>24</sup>

<b>YEAR</b>	<b>TOTAL TAXES LEVIED</b>	<b>COLLECTION DURING YEAR OF LEVY</b>	
		<b>AMOUNT</b>	<b>PERCENTAGE</b>
2015	\$4,406,942	\$4,352,572	98.83%
2014	4,332,374	4,259,906	98.32
2013	4,148,496	4,110,720	99.08
2012	4,192,818	4,124,238	98.36
2011	4,140,730	4,050,890	97.83

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>25</sup>

<b>YEAR</b>	<b>TAX TITLE LIENS</b>	<b>AMOUNT OF DELINQUENT TAXES</b>	<b>TOTAL DELINQUENT</b>	<b>PERCENTAGE OF LEVY</b>
2015	\$0	\$46,104	\$46,104	1.05%
2014	0	58,714	58,714	1.36
2013	0	37,506	37,506	0.90
2012	0	61,979	61,979	1.48
2011	0	63,885	63,885	1.54

<sup>23</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>24</sup> Source: Borough of Califon Comprehensive Annual Financial Report for Year Ended December 31, 2015.

<sup>25</sup> Source: Borough of Califon Comprehensive Annual Financial Report for Year Ended December 31, 2015.

**GENERAL INFORMATION  
OF THE  
TOWN OF CLINTON  
COUNTY OF HUNTERDON, NEW JERSEY**

The Town of Clinton is a quintessential American small town nestled in the hills of Hunterdon County, New Jersey. It lies where Spruce Run and the South Branch of the Raritan River meet. In the late 1700's the area was known as Hunt's Mill for Daniel Hunt and his son, Ralph, who built several mills on the river. On the western side lies the Hunterdon Historical Museum, originally built in 1763. Across the river is the Stone Mill, which is home to the Hunterdon Museum of Art and houses galleries and a theater. The Town comprises 1.3 square miles and borders the Townships of Clinton, Franklin and Union. It is located approximately 50 miles west of New York City and approximately 55 miles northwest of Philadelphia.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE TOWN OF CLINTON<sup>26</sup>  
As of December 31, 2016**

Gross Debt:		
Local District School Debt:		
Serial Bonds Issued and Outstanding	\$ 2,654,000.00	
Share of Regional School Debt	35,766.74	
Authorized But Not Issued		\$ 2,689,766.74
Municipal Debt:		
Issued and Outstanding:		
Loans	\$ 0.00	
Serial Bonds	1,928,000.00	
Bond Anticipation Notes	1,458,000.00	
Authorized But Not Issued	1,024,050.85	\$ 4,410,050.85
Water and Sewer Utility:		
Total Bonds and Notes for Water Utility	\$22,188,322.35	
Total Bonds and Notes for Sewer Utility	4,783,187.17	
		26,971,509.50
Total Gross Debt		\$ 34,071,327.11
Less:		
Statutory Deductions:		
Local and Regional District School Debt	\$ 2,689,766.74	
Municipal Debt	\$ 2,750.00	
Municipal Utility Debt	\$ 26,227,383.72	\$ 28,919,900.46
Statutory Net Debt		\$ 5,151,426.65
Average Equalized Valuation of Real Property (Years 2014, 2015 and 2016)		\$ 383,945,871.67
Percentage of Gross Debt to Average Equalized Valuations		8.874%
Percentage of Net Debt to Average Equalized Valuations		1.342%

<sup>26</sup> Source: 2016 Annual Debt Statement of the Town of Clinton

### **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION<sup>27</sup>**

<b><u>YEAR</u></b>	<b><u>VACANT LAND</u></b>	<b><u>FARM LAND</u></b>	<b><u>RESIDENTIAL</u></b>	<b><u>APARTMENTS</u></b>	<b><u>COMMERCIAL</u></b>	<b><u>INDUSTRIAL</u></b>	<b><u>TOTAL</u></b>
2016	\$5,149,900	\$166,250	\$270,059,300	\$9,791,600	\$72,417,800	\$0.00	\$357,584,850
2015	6,050,500	165,450	266,926,800	8,401,300	73,980,100	0.00	355,224,150
2014	5,995,800	173,600	265,511,000	8,401,300	73,645,300	0.00	353,727,000
2013	6,798,400	38,200	268,505,400	8,694,800	75,335,700	0.00	359,372,500
2012	4,891,560	38,200	314,374,900	9,638,600	80,965,800	0.00	409,909,060
2011	5,158,160	38,200	318,264,300	9,638,600	89,984,350	0.00	422,468,560

### **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE<sup>28</sup>**

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$357,584,850	\$388,046,500	92.15%
2015	355,224,150	381,961,452	93.00
2014	353,727,000	381,829,663	92.64
2013	359,372,500	379,725,803	94.64
2012	409,909,060	380,390,739	107.76
2011	422,468,560	401,471,596	105.23

### **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)<sup>29</sup>**

<b><u>YEAR</u></b>	<b><u>TOWN</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.789	\$1.424	\$0.544	\$0.398	\$3.155
2015	0.735	1.443	0.538	0.401	3.117
2014	0.685	1.425	0.567	0.401	3.078
2013	0.627	1.379	0.586	0.374	2.966
2012	0.477	1.200	0.532	0.334	2.543

<sup>27</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>28</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>29</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>30</sup>

The ten largest taxpayers for 2016 are below:

<b><u>Taxpayer</u></b>	<b><u>Assessed Valuations</u></b>	<b><u>Percentage of Total District Net Assessed Value</u></b>
SNG Properties, LLC	\$4,260,000	1.19%
FMCD Realty LP	3,900,000	1.09
Highway 22 Grocery Owners, LLC	3,860,400	1.08
Clinton Unity Group, LLC	3,281,500	0.92
Goldstar Property, LLC	3,257,800	0.91
Rowland House & Clinton II LLC	2,750,000	0.77
Clinton Garden Assoc.	2,950,000	0.82
Park Valley Clinton LLC	1,750,000	0.49
Chrisellen Investors, Partnerships	1,725,300	0.48
Lehigh Street LLC	1,641,700	0.46
<b>TOTAL</b>	<b>\$29,376,700</b>	<b>8.22%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>31</sup>

<b>YEAR</b>	<b>TOTAL TAXES LEVIED</b>	<b>COLLECTION DURING YEAR OF LEVY</b>	
		<b>AMOUNT</b>	<b>PERCENTAGE</b>
2015	\$11,082,578.17	\$10,866,901.50	98.05%
2014	10,903,893.26	10,726,501.42	98.37
2013	10,703,566.47	10,453,170.67	97.66
2012	10,461,889.74	10,193,518.87	97.43
2011	10,638,766.65	10,040,856.70	94.38

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>32</sup>

<b>YEAR</b>	<b>TAX TITLE LIENS</b>	<b>AMOUNT OF DELINQUENT TAXES</b>	<b>TOTAL DELINQUENT</b>	<b>PERCENTAGE OF LEVY</b>
2015	\$???	\$206,896.08	\$206,896.08	1.87%
2014	180.94	173,025.02	173,205.96	1.59
2013	65.99	245,466.87	245,532.86	2.29
2012	2,131.00	158,345.91	160,477.91	1.53
2011	54.97	482,882.22	482,937.19	4.54

<sup>30</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District  
Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>31</sup> Source: Township of Clinton Comprehensive Annual Financial Report Fiscal Year December 31, 2015

<sup>32</sup> Source: Township of Clinton Comprehensive Annual Financial Report Fiscal Year December 31, 2015



**GENERAL INFORMATION  
OF THE  
TOWNSHIP OF CLINTON  
COUNTY OF HUNTERDON, NEW JERSEY**

Clinton is a community of approximately thirty (30) square miles located in the north central section of Hunterdon County. It was formed from Lebanon Township in 1841 but a portion was separated in 1871 to form the Borough of High Bridge. At the same time a portion of Tewksbury Township was annexed to the Township of Clinton. Rich limestone deposits provide good farmland throughout the Township of Clinton.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE TOWNSHIP OF CLINTON<sup>33</sup>  
As of December 31, 2016**

Gross Debt:			
Local District School Debt:			
Serial Bonds Issued	\$27,405,000.00		
Share of Regional School Debt	209,208.33		
Authorized But Not Issued	0.00		
		\$	27,614,208.33
Municipal Debt:			
Issued and Outstanding: Loans	\$ 0.00		
Serial Bonds	8,890,000.00		
Bond Anticipation Notes	9,595,000.00		
Authorized But Not Issued	4,042,922.19		
Miscellaneous Authorized But Not Issued	358,257.08		22,886,179.27
Total Gross Debt		\$	50,500,387.60
Less:			
Statutory Deductions:			
Local and Regional Schools	\$27,614,208.33		
Municipal Debt	1,547,726.58		
		\$	29,161,934.91
Statutory Net Debt		\$	21,338,452.69
Average Equalized Valuation of Real Property			
(Years 2014, 2015 and 2016)			\$2,245,792,355.33
Percentage of Gross Debt to Average			
Equalized Valuations			2.249%
Percentage of Net Debt to Average			
Equalized Valuations			0.950%

<sup>33</sup> Source: 2016 Annual Debt Statement of the Township of Clinton

### **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION**<sup>34</sup>

<b><u>YEAR</u></b>	<b><u>VACANT LAND</u></b>	<b><u>FARM LAND</u></b>	<b><u>RESIDENTIAL</u></b>	<b><u>APARTMENTS</u></b>	<b><u>COMMERCIAL</u></b>	<b><u>INDUSTRIAL</u></b>	<b><u>TOTAL</u></b>
2016	\$12,470,100	\$55,233,300	\$1,721,744,700	\$19,342,900	\$186,955,500	\$155,319,700	\$2,151,066,200
2015	13,162,200	55,630,200	1,715,936,500	19,142,900	189,838,200	155,426,500	2,149,135,500
2014	13,374,700	58,204,400	1,706,616,300	18,541,900	191,683,800	147,099,700	2,135,520,800
2013	14,144,800	60,984,400	1,706,925,700	18,541,900	197,046,000	143,348,600	2,140,991,400
2012	15,748,800	63,693,100	1,748,923,100	18,111,100	211,503,000	147,366,600	2,205,345,700
2011	18,076,000	71,596,500	1,930,391,700	18,132,000	226,230,600	158,714,500	2,423,141,300

### **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>35</sup>

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$2,151,066,200	\$2,270,014,985	94.76%
2015	2,149,136,500	2,237,984,484	96.03
2014	2,135,520,800	2,229,377,597	95.79
2013	2,140,991,400	2,187,140,055	97.89
2012	2,205,345,700	2,237,793,709	98.55
2011	2,423,141,300	2,347,777,638	103.21

### **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>36</sup>

<b><u>YEAR</u></b>	<b><u>TOWNSHIP</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.338	\$1.158	\$0.653	\$0.385	\$2.534
2015	0.319	1.167	0.676	0.388	2.550
2014	0.299	1.157	0.659	0.377	2.495
2013	0.282	1.147	0.642	0.369	2.440
2012	0.261	1.106	0.621	0.343	2.331

<sup>34</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>35</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>36</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>37</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
Exxon Capital Corp.	\$112,100,000	5.21%
111 Cokesbury, LLC	22,586,800	1.05
NY Life Insurance Co.	21,603,500	1.00
East Coast the Mews at Annandale	17,600,000	0.82
ARCP OFC Annandale NJ, LLC	16,075,400	0.75
Transcontinental Gas Pipeline	11,973,000	0.56
Hunterdon Medical Center	6,408,600	0.30
Meridan Propl Group, LLC	6,350,000	0.30
Annandale Falls LLC	5,638,200	0.26
American Golf Corp.	4,680,000	0.22
TOTAL	\$35,049,800	1.63%

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>38</sup>

YEAR	TOTAL TAXES LEVIED	COLLECTION DURING YEAR OF LEVY	
		AMOUNT	PERCENTAGE
2015	\$54,865,584.84	\$54,401,331.60	99.15%
2014	53,294,157.80	52,682,663.23	98.85
2013	52,445,842.24	51,806,693.84	98.78
2012	51,641,863.77	50,925,292.06	98.61
2011	52,027,312.28	51,283,242.72	98.56

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>39</sup>

YEAR	TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF LEVY
2015	\$28,110.47	\$454,610.27	\$482,720.74	0.88%
2014	20,132.73	575,937.99	596,866.67	1.12
2013	18,512.47	564,354.20	582,866.67	1.11
2012	16,482.39	800,040.96	816,523.35	1.58
2011	14,543.03	675,301.32	689,844.35	1.33

<sup>37</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District  
Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>38</sup> Source: Township of Clinton Comprehensive Annual Financial Report Fiscal Year December 31, 2015

<sup>39</sup> Source: Township of Clinton Comprehensive Annual Financial Report Fiscal Year December 31, 2015

**GENERAL INFORMATION  
OF THE  
TOWNSHIP OF FRANKLIN  
COUNTY OF HUNTERDON, NEW JERSEY**

The Township of Franklin is located in central Hunterdon County. It was established in 1845 when it was created from Kingwood Township. Franklin was originally a Quaker settlement. The historic hamlets of Quakertown and Pittstown are located within its borders. Franklin remains a rural, agricultural community. A large portion of land is designated as environmentally sensitive and there has been a great investment in the preservation of farmlands.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE TOWNSHIP OF FRANKLIN<sup>40</sup>  
As of December 31, 2016**

Gross Debt:

Bonds and Notes for Local School Purposes	\$4,875,000.00	
Bonds and Notes for Regional School Purposes	\$51,354.97	
		\$ 4,926,354.97

Municipal Debt:

Self Liquidating Debt	\$ 0.00	
Total Other Bonds and Notes	472,842.50	
		<u>472,842.50</u>
Total Gross Debt		\$ 5,399,197.47

Less:

Statutory Deductions:		
Local and Regional Schools	\$4,926,354.97	
Municipal Debt	0.00	
		\$ 4,926,354.97

Statutory Net Debt	\$ 472,842.50
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Average Equalized Valuation of Real Property (Years 2014, 2015, 2016,)	\$551,281,084.67
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Percentage of Gross Debt to Average Equalized Valuations	0.979%
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Percentage of Net Debt to Average Equalized Valuations	0.086%
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<sup>40</sup> Source: 2016 Annual Debt Statement of the Township of Franklin

## ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION<sup>41</sup>

<u>Year</u>	<u>Vacant Land</u>	<u>Farm Land</u>	<u>Residential</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>
2016	\$3,383,900	\$109,703,697	\$387,268,600	\$1,037,400	\$36,411,900	\$2,328,900	\$540,134,397
2015	3,667,800	108,592,377	386,011,200	1,037,400	36,719,300	2,328,900	538,356,977
2014	3,902,400	108,470,474	385,013,700	1,029,000	37,219,300	2,328,900	537,963,774
2013	4,176,400	111,284,525	383,146,300	1,000,800	37,179,300	2,328,900	539,116,225
2012	5,138,600	109,904,104	383,115,900	1,000,800	38,119,400	2,328,900	539,607,704
2011	5,265,200	117,369,418	389,984,000	1,086,500	38,189,100	2,340,800	544,235,018

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>42</sup>

<u>YEAR</u>	<u>NET ASSESSED VALUATION TAXABLE</u>	<u>ESTIMATED FULL CASH VALUATIONS</u>	<u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u>
2016	\$540,134,397	\$549,811,072	98.24%
2015	538,356,977	552,387,623	97.46
2014	537,963,774	551,644,559	97.52
2013	539,116,225	579,570,227	93.02
2012	539,607,704	553,557,349	97.48
2011	554,235,018	591,184,019	93.75

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>43</sup>

<u>YEAR</u>	<u>TOWNSHIP</u>	<u>LOCAL SCHOOL</u>	<u>REGIONAL HIGH SCHOOL</u>	<u>COUNTY</u>	<u>TOTAL</u>
2016	\$0.335	\$1.111	\$0.597	\$0.381	\$2.424
2015	0.330	1.096	0.612	0.381	2.419
2014	0.325	1.077	0.668	0.400	2.470
2013	0.319	1.056	0.660	0.372	2.361
2012	0.312	1.036	0.634	0.379	2.241

<sup>41</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>42</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>43</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>44</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
National Project Resources LP	\$20,000,000	3.69%
IHM Clinton, LLC-Hampton Inn Clinton	6,500,000	1.20
AT&T Communications	2,531,200	0.47
Individual Taxpayer #4	2,469,800	0.46
Individual Taxpayer #5	2,218,890	0.41
Individual Taxpayer #6	1,874,927	0.35
Individual Taxpayer #7	1,652,534	0.31
Individual Taxpayer #8	1,532,230	0.28
Individual Taxpayer #9	1,374,635	0.25
Individual Taxpayer #10	1,358,500	0.25
TOTAL	<u>\$41,512,716</u>	<u>7.67%</u>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>45</sup>

YEAR	TOTAL TAXES LEVIED	COLLECTION DURING YEAR OF LEVY	
		AMOUNT	PERCENTAGE
2015	\$13,440,705.95	\$13,240,322.14	98.50%
2014	13,688,371.19	31,501,044.66	98.63
2013	13,352,401.59	13,103,728.30	98.13
2012	13,129,128.01	12,844,413.47	97.83
2011	12,808,841.00	12,675,391.00	98.43

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>46</sup>

YEAR	TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF LEVY
2015	\$4.00	\$3,924.25	\$3,924.25	0.025%
2014	4.00	4,004.99	4,004.99	0.025
2013	4.00	4,002.37	4,002.37	0.03
2012	4.00	3,927.63	3,927.63	0.03
2011	4.00	3,731.00	3,731.00	0.03

<sup>44</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>45</sup> Source: The Township of Franklin Comprehensive Annual Financial Report Fiscal Year Ended December 31, 2015.

<sup>46</sup> Source: Tax Collector to the Township of Franklin

**GENERAL INFORMATION  
OF THE  
BOROUGH OF GLEN GARDNER  
COUNTY OF HUNTERDON, NEW JERSEY**

The Borough of Glen Gardner is located at the extreme western border of Lebanon Township and was formed from Lebanon and Bethlehem Townships in 1919. The village and post office were officially changed to Glen Gardner in 1871 in honor of the Gardner brothers who established a chair and frame factory here. Spruce Run Creek feeds Spruce Run Reservoir as it rolls between the surrounding mountains that envelop the Borough of Glen Gardner, thus providing for the first portion of the municipality's name.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF GLEN GARDNER<sup>47</sup>  
As of December 31, 2016**

Gross Debt:			
Local District School Debt:			
Serial Bonds Issued and Outstanding	\$	0.00	
Share of Regional School Debt		574,509.61	
Authorized But Not Issued		0.00	
			\$ 574,509.61
Municipal Debt:			
Issued and Outstanding:			
Loans	\$	0.00	
Serial Bonds		1,340,000.00	
Bond Anticipation Notes		490,362.00	
Authorized But Not Issued			
Water and Sewer Utility:			
Loans		0.00	
Total Bonds and Notes		389,871.00	
Bond Anticipation Notes		0.00	
Authorized But Not Issued		0.00	
			2,220,233.00
Total Gross Debt			\$ 2,794,742.61
Less:			
Statutory Deductions:			
Local and Regional District School Debt	\$	574,509.61	
Municipal Debt	\$	429,871.42	
			\$ 1,004,391.03
Statutory Net Debt			\$ 1,790,361.58
Average Equalized Valuation of Real Property (Years 2014, 2015 and 2016)			\$ 154,828,138.33
Percentage of Gross Debt to Average Equalized Valuations			1.805%
Percentage of Net Debt to Average Equalized Valuations			1.156%

<sup>47</sup> Source: 2016 Annual Debt Statement of the Borough of Glen Gardner

# **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION**<sup>48</sup>

<u>Year</u>	<u>Vacant Land</u>	<u>Farm Land</u>	<u>Residential</u>	<u>Apartments</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>
2016	\$1,241,203	\$2,005,658	\$129,471,200	\$1,212,500	\$4,823,300	\$568,600	\$139,322,461
2015	1,241,203	2,005,658	129,097,500	1,212,500	4,823,300	568,600	138,948,761
2014	1,325,403	2,003,942	129,138,100	1,205,200	4,823,300	568,600	139,064,545
2013	1,239,203	2,529,687	128,632,500	1,205,200	4,869,500	568,600	139,044,690
2012	1,331,803	2,480,987	128,702,700	1,205,200	4,869,500	568,600	139,158,790
2011	1,331,803	2,480,987	128,716,000	1,205,200	4,869,500	568,600	139,172,090

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>49</sup>

<u>YEAR</u>	<u>NET ASSESSED VALUATION TAXABLE</u>	<u>ESTIMATED FULL CASH VALUATIONS</u>	<u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u>
2016	\$139,322,461	\$155,216,645	89.76%
2015	138,948,761	154,096,441	90.17
2014	139,064,545	155,171,329	89.62
2013	139,044,690	157,308,168	88.39
2012	139,158,790	162,587,674	85.59
2011	139,172,090	171,584,379	81.11

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>50</sup>

<u>YEAR</u>	<u>BOROUGH</u>	<u>LOCAL SCHOOL</u>	<u>REGIONAL HIGH SCHOOL</u>	<u>COUNTY</u>	<u>TOTAL</u>
2016	\$0.630	\$1.327	\$0.673	\$0.413	\$3.043
2015	0.624	0.266	0.652	0.414	2.956
2014	0.580	1.212	0.742	0.420	2.954
2013	0.426	1.220	0.690	0.526	2.862
2012	0.504	1.192	0.685	0.437	2.818

<sup>48</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>49</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>50</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016



## LARGER TAXPAYERS<sup>51</sup>

The ten largest taxpayers for 2016 are below:

<b><u>Taxpayer</u></b>	<b><u>Assessed Valuations</u></b>	<b><u>Percentage of Total District Net Assessed Value</u></b>
Individual Taxpayer #1	\$990,400	0.71%
Individual Taxpayer #2	940,100	0.67
Eastern Concrete Materials, Inc.	794,500	0.57
Individual Taxpayer #4	604,900	0.43
Individual Taxpayer #5	595,700	0.43
Glen Gardner Partnership	585,500	0.42
Heartland, Inc.	584,000	0.42
Individual Taxpayer #8	535,400	0.38
Individual Taxpayer #9	531,600	0.38
Terminus Occidentalis	531,200	0.37
<b>TOTAL</b>	<b>\$6,693,300</b>	<b>4.80%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>52</sup>

<b>YEAR</b>	<b>TOTAL TAXES LEVIED</b>	<b>COLLECTION DURING YEAR OF LEVY</b>	
		<b>AMOUNT</b>	<b>PERCENTAGE</b>
2015	\$4,117,833.00	\$4,068,542.00	98.80%
2014	4,109,027.00	4,047,839.00	98.51
2013	3,979,459.00	4,047,839.00	101.72
2012	3,934,219.00	3,861,396.00	98.15
2011	3,983,013.00	3,912,840.00	98.24

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>53</sup>

<b>YEAR</b>	<b>TAX TITLE LIENS</b>	<b>AMOUNT OF DELINQUENT TAXES</b>	<b>TOTAL DELINQUENT</b>	<b>PERCENTAGE OF LEVY</b>
2015	\$95,649	\$42,043	\$137,692	3.34%
2014	88,466	51,428	139,894	3.40
2013	83,527	31,619	115,146	2.89
2012	72,917	65,239	138,156	3.51
2011	69,490	76,615	146,105	3.51

<sup>51</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>52</sup> Source: Borough of Glen Gardner Comprehensive Annual Financial Report Year Ended December 31, 2015

<sup>53</sup> Source: Borough of Glen Gardner Comprehensive Annual Financial Report Year Ended December 31, 2015

**GENERAL INFORMATION  
OF THE  
BOROUGH OF HAMPTON  
COUNTY OF HUNTERDON, NEW JERSEY**

The Borough of Hampton is a municipality of 1.54 square miles and has a population of approximately 1600. It is a charming village located on the banks of the Musconetcong River in western Hunterdon County. Little has changed here since its settlement in 1800. Hampton was once known as Junction because the New Jersey Central and the Delaware, Lackawanna and Western Railroads crossed through it.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF HAMPTON<sup>54</sup>  
As of December 31, 2016**

Gross Debt:			
Local District School Debt:			
Serial Bonds Issued and Outstanding	\$	2,403,000.00	
Share of Regional School Debt		11,360.60	
Authorized But Not Issued		0.00	
			\$ 2,414,360.60
Municipal Debt:			
Issued and Outstanding:			
Loans	\$	0.00	
Serial Bonds		471,000.00	
Bond Anticipation Notes		483,000.00	
Authorized But Not Issued		232,140.00	
Water and Sewer Utility:			
Loans		0.00	
Term Bonds		0.00	
Bond Anticipation Notes		170,000.00	
Authorized But Not Issued		489,874.20	
			1,846,014.20
Total Gross Debt			\$ 4,260,374.80
Less:			
Statutory Deductions:			
Local and Regional District School Debt	\$	2,414,360.60	
Municipal Debt	\$	659,874.20	
			\$ 3,074,234.80
Statutory Net Debt			\$ 1,186,140.00
Average Equalized Valuation of Real Property (Years 2014, 2015 and 2016)			\$ 121,852,831.33
Percentage of Gross Debt to Average Equalized Valuations			3.496%
Percentage of Net Debt to Average Equalized Valuations			0.973%

<sup>54</sup> Source: 2016 Annual Debt Statement of the Borough of Hampton.

## ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION<sup>55</sup>

<u>Year</u>	<u>Vacant Land</u>	<u>Farm Land</u>	<u>Residential</u>	<u>Apartment</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>
2016	\$2,016,318	\$2,886,664	\$108,450,385	\$2,475,400	\$4,966,350	\$856,000	\$121,651,117
2015	2,170,201	3,112,464	108,072,285	2,475,400	4,966,350	856,000	121,652,700
2014	2,338,308	3,112,464	107,765,585	2,475,400	4,966,350	856,000	121,514,100
2013	2,220,001	3,140,299	108,478,085	2,475,400	4,966,350	856,000	122,136,135
2012	2,218,201	3,140,299	108,985,985	2,475,400	5,023,150	856,000	122,699,035
2011	2,179,101	3,140,299	109,483,085	2,475,400	5,168,950	856,000	123,302,835

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE<sup>56</sup>**

<u>YEAR</u>	<u>NET ASSESSED VALUATION TAXABLE</u>	<u>ESTIMATED FULL CASH VALUATIONS</u>	<u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u>
2016	\$121,651,117	\$119,382,843	101.90%
2015	121,652,700	119,501,670	101.80
2014	121,514,100	126,973,981	95.70
2013	122,136,135	129,821,572	94.08
2012	122,699,035	126,272,548	97.17
2011	123,302,835	131,047,757	94.09

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)<sup>57</sup>**

<u>YEAR</u>	<u>BOROUGH</u>	<u>LOCAL SCHOOL</u>	<u>REGIONAL HIGH SCHOOL</u>	<u>COUNTY</u>	<u>TOTAL</u>
2016	\$0.614	\$1.463	\$0.591	\$0.366	\$3.034
2015	0.596	1.435	0.673	0.388	3.092
2014	0.547	1.461	0.659	0.395	3.062
2013	0.523	1.478	0.652	0.374	3.027
2012	0.452	1.533	0.655	0.375	3.015

<sup>55</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>56</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>57</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>58</sup>

The ten largest taxpayers for 2016 are below:

<b><u>Taxpayer</u></b>	<b><u>Assessed Valuations</u></b>	<b><u>Percentage of Total District Net Assessed Value</u></b>
RHAF Company, LLC	\$2,100,000	1.73%
Stickel Investments LLC	1,252,000	1.03
Individual Taxpayer #3	1,086,000	0.89
Individual Taxpayer #4	1,034,100	0.85
United Telephone	947,647	0.78
K-Land No. 61 LLC	874,500	0.72
Hampton Point Associates LLC	820,000	0.67
Individual Taxpayer #8	812,066	0.67
Kappus Plastic Company, Inc.	797,300	0.66
Individual Taxpayer #10	762,705	0.63
<b>TOTAL</b>	<b>\$10,486,318</b>	<b>8.62%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>59</sup>

<b>YEAR</b>	<b>TOTAL TAXES LEVIED</b>	<b>COLLECTION DURING YEAR OF LEVY</b>	
		<b>AMOUNT</b>	<b>PERCENTAGE</b>
2015	\$3,773,972.48	\$3,677,278.47	97.43%
2014	3,739,999.62	3,646,705.83	97.50
2013	3,697,061.03	3,622,032.34	97.97
2012	3,716,217.03	3,619,769.72	97.40
2011	3,505,757.48	3,704,382.61	97.57

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>60</sup>

<b>YEAR</b>	<b>TAX TITLE LIENS</b>	<b>AMOUNT OF DELINQUENT TAXES</b>	<b>TOTAL DELINQUENT</b>	<b>PERCENTAGE OF LEVY</b>
2015	\$136,846.63	\$87,502.60	\$224,349.23	5.94%
2014	123,784.04	80,377.30	204,161.34	5.46
2013	109,413.17	63,295.24	172,708.41	4.67
2012	116,615.60	78,531.36	195,147.96	5.25
2011	119,561.56	82,577.25	202,138.81	5.32

<sup>58</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>59</sup> Source: Borough of Hampton Comprehensive Annual Financial Report Fiscal Year Ended December 31, 2015.

<sup>60</sup> Source: Borough of Hampton Comprehensive Annual Financial Report Fiscal Year Ended December 31, 2015.

**GENERAL INFORMATION  
OF THE  
BOROUGH OF HIGH BRIDGE  
COUNTY OF HUNTERDON, NEW JERSEY**

The Borough of High Bridge is located on the South Branch of the Raritan River in the north central portion of Hunterdon County. High Bridge was officially formed from High Bridge Township in 1898. It was named for the high bridge the New Jersey Central Railroad built across the river. Safety from the crime associated with big cities, economic opportunities and an excellent school system are all features that make High Bridge a desirable community in which to live.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF HIGH BRIDGE<sup>61</sup>  
As of December 31, 2016**

Gross Debt:		
Local District School Debt:		
Serial Bonds Issued and Outstanding	\$ 4,110,000.00	
Share of Regional School Debt	33,298.33	
Authorized But Not Issued	0.00	
		\$ 4,143,298.33
Municipal Debt:		
Issued and Outstanding:		
Loans	\$ 0.00	
Serial Bonds	7,168,000.00	
Bond Anticipation Notes	173,000.00	
Authorized But Not Issued	3,946,978.01	
Water and Sewer Utility:		
Loans	0.00	
Serial Bonds	138,902.00	
Bond And Notes	2,847,000.00	
Authorized But Not Issued		
		14,273,880.00
Total Gross Debt		\$ 18,417,178.34
Less:		
Statutory Deductions:		
Local and Regional District School Debt	\$ 4,143,298.33	
Municipal Debt	\$ 2,985,902.00	
		\$ 7,129,200.33
Statutory Net Debt		\$ 11,287,978.01
Average Equalized Valuation of Real Property (Years 2014, 2015 and 2016)		\$ 357,448,192.00
Percentage of Gross Debt to Average Equalized Valuations		5.152%
Percentage of Net Debt to Average Equalized Valuations		3.158%

<sup>61</sup> Source: 2016 Annual Debt Statement of the Borough of High Bridge

## **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION**<sup>62</sup>

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Farm Land</u></b>	<b><u>Residential</u></b>	<b><u>Apartment</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Total Real Property</u></b>
2016	\$1,396,400	\$1,362,254	\$304,820,800	\$1,087,000	\$12,862,200	\$8,751,500	\$330,280,154
2015	1,392,500	1,362,954	305,140,100	1,087,000	12,732,800	8,751,500	330,466,854
2014	1,635,700	1,487,854	337,046,400	509,600	11,767,400	7,221,000	359,667,954
2013	1,478,400	1,487,854	339,991,100	509,600	11,767,400	7,906,400	363,140,754
2012	1,961,400	1,487,854	348,613,800	509,600	11,964,200	7,338,600	371,875,454
2011	2,000,000	1,098,400	353,223,700	509,600	11,947,800	7,338,600	376,118,100

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>63</sup>

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$330,280,154	\$356,866,725	92.55%
2015	330,466,854	358,735,187	92.12
2014	359,667,954	356,742,664	100.82
2013	363,140,754	350,285,284	103.67
2012	371,875,454	364,226,693	102.10
2011	376,118,100	388,230,904	96.88

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>64</sup>

<b><u>YEAR</u></b>	<b><u>BOROUGH</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$1.012	\$1.798	\$0.595	\$0.404	\$3.809
2015	0.964	1.764	0.576	0.402	3.706
2014	0.875	1.595	0.602	0.357	3.429
2013	0.842	1.502	0.623	0.357	3.324
2012	0.818	1.446	0.539	0.365	3.168

<sup>62</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>63</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>64</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>65</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
1742 Square Assoc. Ltd.	\$4,799,8000	1.45%
Glassman Family Realty LLC	2,168,300	0.66
Bitow Enterprises LLC	1,781,600	0.54
Sentinel Self Storage	1,437,600	0.44
Individual Taxpayer #5	1,079,800	0.33
FNMA	1,011,800	0.31
Individual Taxpayer #7	914,700	0.28
Individual Taxpayer #8	822,900	0.25
Individual Taxpayer #9	822,800	0.25
Tax Payer #10	793,700	0.24
TOTAL	\$15,633.00	4.73%

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>66</sup>

YEAR	TOTAL TAXES LEVIED	COLLECTION DURING YEAR OF LEVY	
		AMOUNT	PERCENTAGE
2015	\$12,247,873	\$12,048,948	98.37%
2014	12,340,980	12,080,503	97.88
2013	12,102,414	11,781,641	97.34
2012	11,810,978	11,567,271	97.94
2011	11,912,974	11,685,715	98.09

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>67</sup>

YEAR	TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF LEVY
2015	\$ 8,163.00	\$171,996.00	\$180,159.00	1.47%
2014	10,647.00	215,385.00	226,032.00	1.83
2013	5,032.00	213,623.00	218,655.00	1.81
2012	3,667.85	173,334.23	177,002.08	1.50
2011	2,562.21	174,027.59	176,589.80	1.48

<sup>65</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>66</sup> Source: Borough of High Bridge Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2015

<sup>67</sup> Source: Borough of High Bridge Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2015

**GENERAL INFORMATION  
OF THE  
BOROUGH OF LEBANON  
COUNTY OF HUNTERDON, NEW JERSEY**

The Borough of Lebanon is just under one (1) square mile in area and is completely surrounded by the Township of Clinton. It is located just north of the Round Valley reservoir in north central Hunterdon County. The Borough of Lebanon was officially formed from the Township of Clinton in 1926. The downtown area is a charming small village which has changed little in the past 100 years.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF LEBANON<sup>68</sup>  
As of December 31, 2016**

Gross Debt:

Bonds and Notes for Local School Purposes	\$0.00	
Bonds and Notes for Regional School Purposes	\$25,793.10	
		\$ 25,753.10

Municipal Debt:

Self Liquidating Debt	\$ 0.00	
Total Other Bonds and Notes	4,743,773.21	
		4,743,773.21
Total Gross Debt		\$ 4,769,566.31

Less:

Statutory Deductions:		
Local and Regional Schools	\$25,753.10	
Municipal Debt	75,100.00	
		\$ 100,893.10

Statutory Net Debt	\$ 4,668,673.21
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Average Equalized Valuation of Real Property (Years 2014, 2015, 2016)	\$276,881,638.67
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Percentage of Gross Debt to Average Equalized Valuations	1.723%
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Percentage of Net Debt to Average Equalized Valuations	1.686%
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<sup>68</sup> Source: 20168 Annual Debt Statement of the Borough of Lebanon



## **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION**<sup>69</sup>

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Farm Land</u></b>	<b><u>Residential</u></b>	<b><u>Apartment</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Total Real Property</u></b>
2016	\$1,420,900	\$710,923	\$154,290,900	\$26,106,800	\$80,796,100	\$8,713,980	\$272,039,603
2015	1,529,600	710,923	154,414,600	26,106,800	88,252,700	8,713,980	279,728,603
2014	1,541,600	710,923	154,328,000	21,079,800	88,137,700	8,172,380	273,970,403
2013	3,382,200	710,923	152,148,400	19,915,800	88,706,900	8,172,380	273,036,603
2012	3,378,200	711,279	152,203,500	17,275,800	89,249,100	8,748,080	271,565,959
2011	3,071,000	711,279	152,497,700	10,678,400	100,201,000	9,668,000	276,827,379

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>70</sup>

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$272,039,603	\$278,671,997	97.62%
2015	279,728,603	277,425,967	100.83
2014	273,970,403	274,546,952	99.79
2013	273,036,603	261,529,313	104.40
2012	271,565,959	274,975,657	98.76
2011	276,827,379	289,659,285	95.57

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>71</sup>

<b><u>YEAR</u></b>	<b><u>TOWNSHIP</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.389	\$0.957	\$0.570	\$0.368	\$2.284
2015	0.356	0.851	0.588	0.371	2.166
2014	0.330	0.817	0.626	0.354	2.127
2013	0.297	0.794	0.611	0.361	2.063
2012	0.282	0.833	0.568	0.367	2.050

<sup>69</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>70</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>71</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>72</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
Presidential Place at Lebanon, LLC	\$23,965,800	8.81%
Wells Operating Partnership	16,000,000	5.88
Camelot Ridge, LLC	14,881,900	5.47
IHP Lebanon	7,382,800	2.71
Hunterdon Executive Center	6,000,000	2.21
Architectural Holdings, LLC	5,700,000	2.10
Cokesbury Road Industrial Park LLC	5,586,500	2.05
Moglia, Joseph P. & Daughters LLC	5,272,900	1.94
Hunterdon Plaza Associates, LLC	5,050,000	1.86
111 Cokesbury, LLC	3,885,380	1.43
<b>TOTAL</b>	<b>\$93,725,280</b>	<b>34.45%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>73</sup>

YEAR	TOTAL TAXES LEVIED	COLLECTION DURING YEAR OF LEVY	
		AMOUNT	PERCENTAGE
2015	\$6,062,908	\$5,867,616	96.78%
2014	5,832,350	5,786,410	99.21
2013	5,730,949	5,675,214	99.03
2012	5,640,867	5,578,701	98.90
2011	5,787,603	5,518,266	95.35

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>74</sup>

YEAR	TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF LEVY
2015	\$1,530	\$182,218	\$183,748	3.03%
2014	951	39,930	40,881	0.70
2013	8,967	26,091	35,058	0.61
2012	8,835	48,551	57,386	1.02
2011	8,679	58,694	67,373	1.16

<sup>72</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>73</sup> Source: Borough of Lebanon Comprehensive Annual Financial Report Year End December 31, 2015

<sup>74</sup> Source: Borough of Lebanon Comprehensive Annual Financial Report Year End December 31, 2015

**GENERAL INFORMATION  
OF THE  
TOWNSHIP OF LEBANON  
COUNTY OF HUNTERDON, NEW JERSEY**

The Township of Lebanon consists of 31.7 square miles in the northwestern corner of Hunterdon County. It borders both Warren and Morris Counties. The Township of Lebanon was formed from a portion of Old Lebanon Township, whose borders ran from the Musconetcong River to the Township of Readington.

There is very little industry and retail development in the municipality. Voorhees State Park, a park of over 600 acres with hiking trails, picnic sites, playgrounds, hunting and fishing, as well as the New Jersey Astronomical Association observatory is found within the municipality's borders. Ken Lockwood Gorge provides other recreational activities in the Township of Lebanon.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE TOWNSHIP OF LEBANON<sup>75</sup>  
As of December 31, 2016**

Gross Debt:

Bonds and Notes for Regional School Purposes	\$162,941.62	
		\$ 162,941.62

Municipal Debt:

Self Liquidating Debt	\$ 0.00	
Total Other Bonds and Notes	5,346,509.00	
		5,346,509.00
Total Gross Debt		\$ 5,509,450.62

Less:

Statutory Deductions:		
Local and Regional Schools	\$162,941.62	
Municipal Debt	0.00	
		\$ 162,941.62

Statutory Net Debt		\$ 5,346,509.00
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Average Equalized Valuation of Real Property (Years 2014, 2015, 2016)		\$895,318,533.33
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Percentage of Gross Debt to Average Equalized Valuations		0.615%
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Percentage of Net Debt to Average Equalized Valuations		0.597%
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<sup>75</sup> Source: 2016 Annual Debt Statement of the Township of Lebanon

## **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION**<sup>76</sup>

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Farm Land</u></b>	<b><u>Residential</u></b>	<b><u>Apartment</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Total Real Property</u></b>
2016	\$9,361,300	\$73,648,367	\$619,632,200	\$1,912,400	\$35,886,800	\$3,213,500	\$743,654,567
2015	9,509,700	73,088,612	617,692,700	1,912,400	34,982,300	3,340,100	740,525,812
2014	9,672,500	78,545,749	609,183,900	1,912,400	34,186,300	3,340,100	736,840,949
2013	9,484,500	81,018,739	606,741,700	1,912,400	34,324,900	3,340,100	736,822,339
2012	10,576,000	80,585,779	613,879,400	1,935,700	33,568,500	3,340,100	743,885,479
2011	10,509,500	78,045,237	621,168,900	1,935,700	33,645,100	3,410,900	748,715,337

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>77</sup>

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$743,654,567	\$909,557,934	81.76%
2015	740,525,812	904,293,335	81.89
2014	736,840,949	872,104,331	84.49
2013	736,822,339	857,767,566	85.90
2012	743,885,479	898,738,044	82.77
2011	748,715,337	937,300,121	79.88

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>78</sup>

<b><u>YEAR</u></b>	<b><u>TOWNSHIP</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.290	\$1.309	\$0.716	\$0.453	\$2.768
2015	0.243	1.289	0.678	0.440	2.647
2014	0.176	1.275	0.669	0.433	2.553
2013	0.158	1.260	0.611	0.440	2.469
2012	0.109	1.347	0.697	0.443	2.596

<sup>76</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>77</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>78</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>79</sup>

The ten largest taxpayers for 2016 are below:

<b><u>Taxpayer</u></b>	<b><u>Assessed Valuations</u></b>	<b><u>Percentage of Total District Net Assessed Value</u></b>
Columbia Gas Transmission Corp.	\$3,916,300	0.53%
JJM Realty Enterprises LLC	3,161,400	0.43
Individual Taxpayer #3	2,908,453	0.39
Trimmer Road Company LLC	2,455,589	0.33
Davara Industrial Center LLC	2,019,700	0.27
Rt. 513 at Sliker LLC c/o Lowenstein	2,000,100	0.27
Eastern Concete Materials, Inc.	1,750,000	0.24
Individual Taxpayer #8	1,361,000	0.18
Genon Rema NJ	1,311,400	0.18
Individual Taxpayer #10	1,276,602	0.17
<b>TOTAL</b>	<b>\$19,331,777</b>	<b>2.98%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED DECEMBER 31<sup>80</sup>

<b>YEAR</b>	<b>TOTAL TAXES LEVIED</b>	<b>COLLECTION DURING YEAR OF LEVY</b>	
		<b>AMOUNT</b>	<b>PERCENTAGE</b>
2015	\$19,675,254	\$19,316,041	98.17%
2014	18,891,621	18,518,689	98.02
2013	19,006,017	18,617,803	97.95
2012	19,482,121	19,075,673	97.91
2011	19,938,789	19,542,169	98.01

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>81</sup>

<b>YEAR</b>	<b>TAX TITLE LIENS</b>	<b>AMOUNT OF DELINQUENT TAXES</b>	<b>TOTAL DELINQUENT</b>	<b>PERCENTAGE OF LEVY</b>
2015	\$139,392	\$351,230	\$490,622	2.49%
2014	128,127	371,269	499,396	2.64
2013	118,489	376,055	494,544	2.60
2012	113,775	395,049	508,824	2.61
2011	94,917	389,864	484,781	2.43

<sup>79</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>80</sup> Source: Township of Lebanon Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2015.

<sup>81</sup> Source: Township of Lebanon Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2015.

**GENERAL INFORMATION  
OF THE  
TOWNSHIP OF TEWKSBURY  
COUNTY OF HUNTERDON, NEW JERSEY**

The Township is a 31.64 square mile rural community located in the northwest corner of Hunterdon County (the "County") bordering on Somerset County to the east and Morris County to the north.

Historically, the Township was predominately farmland producing both crops and livestock. Historic farm buildings still dot the landscape. However, over the years more large lot residential developments have been built, mainly in the southern and western portions of the Township. These areas have easy access to Routes 78 and 22, a primary commuting corridor. The farming areas in the eastern part of the Township remain less developed.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE TOWNSHIP OF TEWKSBURY<sup>82</sup>  
As of December 31, 2016**

Gross Debt:		
Local District School Debt:		
Serial Bonds Issued and Outstanding	\$ 6,333,000.00	
Share of Regional School Debt	1,278,960.58	
Authorized But Not Issued	0.00	
		\$ 7,611,960.58
Municipal Debt:		
Issued and Outstanding:		
Loans	\$ 0.00	
Serial Bonds	14,733,000.00	
Bond Anticipation Notes	3,650,000.00	
Authorized But Not Issued	1,074,831.00	
Water and Sewer Utility:	56,370.00	
Authorized But Not Issued	0.00	
		19,514,201.00
Total Gross Debt		\$ 27,126,161.58
Less:		
Statutory Deductions:		
Local and Regional District School Debt	\$ 7,611,960.58	
Municipal Debt	\$ 264,947.00	
		\$ 7,876,907.58
Statutory Net Debt		\$ 19,249,254.00
Average Equalized Valuation of Real Property (Years 2014, 2015 and 2016)		\$ 1,624,695,819.33
Percentage of Gross Debt to Average Equalized Valuations		1.670%
Percentage of Net Debt to Average Equalized Valuations		1.185%

<sup>82</sup> Source: 2016 Annual Debt Statement of the Township of Tewksbury

### **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION**<sup>83</sup>

	<b><u>Vacant Land</u></b>	<b><u>Farm Land</u></b>	<b><u>Residential</u></b>	<b><u>Apartment</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Total Real Property</u></b>
2016	\$9,945,200	\$236,138,365	\$1,060,442,600	\$0	\$48,031,500	\$2,804,000	\$1,357,361,665
2015	11,241,600	236,434,665	1,055,088,200	0	47,362,900	2,804,000	1,352,931,365
2014	11,791,300	238,156,565	1,052,605,900	0	47,503,200	5,304,000	1,355,360,965
2013	12,193,100	235,245,765	1,052,559,900	0	47,503,200	5,304,000	1,352,805,965
2012	12,444,900	237,194,565	1,048,835,800	0	47,453,900	5,304,000	1,351,233,165
2011	12,889,800	234,880,310	1,051,075,700	0	59,427,400	5,304,000	1,363,577,210

### **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE**<sup>84</sup>

<b>YEAR</b>	<b>NET ASSESSED VALUATION TAXABLE</b>	<b>ESTIMATED FULL CASH VALUATIONS</b>	<b>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</b>
2016	\$1,357,361,665	\$1,645,885,370	98.06%
2015	1,352,931,365	1,616,212,358	83.71
2014	1,355,360,965	1,611,989,730	100.92
2013	1,352,805,965	1,624,796,979	83.26
2012	1,351,233,165	1,658,565,319	81.47
2011	1,363,577,210	1,733,287,416	78.67

### **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)**<sup>85</sup>

<b><u>YEAR</u></b>	<b><u>TOWNSHIP</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.425	\$0.931	\$0.635	\$0.444	\$2.435
2015	0.410	0.898	0.621	0.441	2.370
2014	0.393	0.865	0.567	0.446	2.271
2013	0.394	0.865	0.546	0.446	2.250
2012	0.383	0.864	0.511	0.450	2.219

<sup>83</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>84</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>85</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>86</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
AM Best Com	\$25,000,000	1.84%
JLJ/GWJ LLC	6,636,255	0.49
Individual Taxpayer #3	4,165,500	0.31
Stavola Quarries LLC	3,275,100	0.24
Individual Taxpayer #5	2,984,300	0.22
Individual Taxpayer #6	2,313,300	0.17
Individual Taxpayer #7	2,302,410	0.17
Individual Taxpayer #8	2,057,000	0.15
Individual Taxpayer #9	1,997,900	0.15
Individual Taxpayer #10	1,971,700	0.15
TOTAL	\$52,993,029	3.90%

## CURRENT TAX COLLECTIONS YEAR ENDED JUNE 30<sup>87</sup>

YEAR	TOTAL TAXES LEVIED	COLLECTION DURING YEAR OF LEVY	
		AMOUNT	PERCENTAGE
2015	\$32,012,157	\$31,659,174	98.89%
2014	31,664,401	31,297,352	98.84
2013	30,992,663	30,583,298	98.67
2012	30,621,678	30,087,564	98.25
2011	30,204,265	29,802,044	98.66

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>88</sup>

YEAR	TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF LEVY
2015	\$63,676	\$311,228	\$374,904	1.17%
2014	61,154	282,513	343,667	1.09
2013	58,666	310,460	369,126	1.19
2012	80,026	410,551	490,577	1.60
2011	41,299	308,997	350,296	1.16

<sup>86</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>87</sup> Source: Township of Tewksbury Comprehensive Annual Financial Report Year Ended December 31, 2015

<sup>88</sup> Source: Township of Tewksbury Comprehensive Annual Financial Report Year Ended December 31, 2015



**GENERAL INFORMATION  
OF THE  
TOWNSHIP OF UNION  
COUNTY OF HUNTERDON, NEW JERSEY**

Union Township is approximately twenty (20) square miles. It was formed from the southern part of Bethlehem Township in 1853. Union was named for Union Furnace which produced cannonballs for the Revolution, as well as farm implements and shoes for horses and oxen. Existing forests were cut down for farming and to provide wood to stoke the furnace. The farming business brought an abundance of basket making and tanning to the area.

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF UNION TOWNSHIP<sup>89</sup>  
As of December 31, 2016**

Gross Debt:			
Local District School Debt:			
Serial Bonds Issued	\$11,905,000.00		
Share of Regional School Debt	74,331.40		
Authorized But Not Issued	0.00		
		\$	11,979,331.40
Municipal Debt:			
Green Trust Loans	\$ 323,283.65		
Serial Bonds	4,977,000.00		
Bond Anticipation Notes			
Authorized But Not Issued	0.00		
			5,300,283.65
Total Gross Debt		\$	17,279,615.05
Less:			
Statutory Deductions:			
Local and Regional Schools	\$11,979,331.40		
Municipal Debt	1,085,760.23		
			\$13,065,091.63
Statutory Net Debt		\$	4,214,523.42
Average Equalized Valuation of Real Property (Years 2014, 2015 and 2016)			\$797,926,574.00
Percentage of Gross Debt to Average Equalized Valuations			2.166%
Percentage of Net Debt to Average Equalized Valuations			0.528%

<sup>89</sup> Source: 2016 Annual Debt Statement of the Township of Union

# **ASSESSED VALUATION OF REAL PROPERTY BY CLASSIFICATION<sup>90</sup>**

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Farm Land</u></b>	<b><u>Residential</u></b>	<b><u>Apartment</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Total Real Property</u></b>
2016	\$16,134,508	\$37,805,611	\$525,993,900	\$230,900	\$107,510,532	\$10,386,700	\$698,062,151
2015	16,553,308	37,205,411	524,247,100	230,900	104,475,132	10,386,700	693,098,551
2014	15,073,108	38,673,511	522,049,700	230,900	88,792,500	10,386,700	675,206,419
2013	13,500,308	36,456,236	526,448,800	230,900	89,705,600	10,386,700	676,728,544
2012	14,061,208	36,313,936	528,658,100	230,900	89,743,200	10,386,700	679,394,044
2011	14,685,104	35,707,981	529,159,100	230,900	88,414,100	10,386,700	678,583,885

## **RATIO OF ASSESSED VALUATION TO ESTIMATED FULL CASH VALUE<sup>91</sup>**

<b><u>YEAR</u></b>	<b><u>NET ASSESSED VALUATION TAXABLE</u></b>	<b><u>ESTIMATED FULL CASH VALUATIONS</u></b>	<b><u>PERCENTAGE OF ASSESSED TO ESTIMATED ESTIMATED FULL CASH VALUATIONS</u></b>
2016	\$698,062,151	\$808,410,134	86.35%
2015	693,098,551	804,151,933	86.19
2014	675,206,419	781,217,655	86.43
2013	676,708,544	778,541,813	86.92
2012	679,394,044	815,109,831	83.35
2011	678,583,885	841,915,490	80.60

## **COMPONENTS OF REAL ESTATE TAX RATE (PER \$100 OF ASSESSMENT)<sup>92</sup>**

<b><u>YEAR</u></b>	<b><u>TOWNSHIP</u></b>	<b><u>LOCAL SCHOOL</u></b>	<b><u>REGIONAL HIGH SCHOOL</u></b>	<b><u>COUNTY</u></b>	<b><u>TOTAL</u></b>
2016	\$0.270	\$1.221	\$0.679	\$0.431	\$2.601
2015	0.262	1.267	0.665	0.441	2.635
2014	0.248	1.280	0.695	0.427	2.650
2013	0.224	1.273	0.738	0.437	2.672
2012	0.225	1.264	0.738	0.439	2.666

<sup>90</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>91</sup> Source: State of New Jersey Division of Taxation 2011 - 2016

<sup>92</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

## LARGER TAXPAYERS<sup>93</sup>

The ten largest taxpayers for 2016 are below:

<u>Taxpayer</u>	<u>Assessed Valuations</u>	<u>Percentage of Total District Net Assessed Value</u>
Energy LLC	\$31,240,250	4.48%
Transco Pipeline LLC	15,682,632	2.25
Crown Perryville LLC	15,000,000	2.15
Kramer Electronics Holdings, LLC	6,250,000	0.90
FW LLC/FW LLC Realty	5,341,950	0.77
Country Arch Care Center	4,690,800	0.67
Amsdell Storage Ventures LLC	3,642,400	0.52
Evergreen Associates	3,464,965	0.50
Fallone at Union LLC	2,730,000	0.39
Pilot Travel Centers	2,502,200	0.39
<b>TOTAL</b>	<b>\$90,545,197</b>	<b>12.97%</b>

## CURRENT TAX COLLECTIONS YEAR ENDED JUNE 30<sup>94</sup>

YEAR	TOTAL TAXES LEVIED	COLLECTION DURING YEAR OF LEVY	
		AMOUNT	PERCENTAGE
2015	\$18,335,188.57	\$18,064,247.62	98.52%
2014	18,100,940.33	17,904,428.37	98.91
2013	18,368,252.67	18,150,939.28	98.81
2012	18,298,891.55	17,966,651.11	98.18
2011	19,059,250.01	18,642,163.78	97.81

## DELINQUENT TAXES AND TAX TITLE LIENS YEAR ENDED DECEMBER 31<sup>95</sup>

YEAR	TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF LEVY
2015	\$70,810.85	\$236,048.13	\$306,858.98	1.67%
2014	57,253.74	174,329.62	231,583.36	1.64
2013	38,999.61	202,116.34	241,115.95	1.91
2012	37,448.26	311,441.10	348,889.36	1.91
2011	35,907.31	376,875.67	411,182.50	2.12

<sup>93</sup> Source: Board of Education of the North Hunterdon-Voorhees Regional High School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

<sup>94</sup> Source: Township of Union Comprehensive Annual Financial Report Fiscal Year Ended December 31, 2015.

<sup>95</sup> Source: Township of Union Comprehensive Annual Financial Report Fiscal Year Ended December 31, 2015.

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## **APPENDIX B**

**Financial Statements of The Board of Education of the  
North Hunterdon-Voorhees Regional High School District  
in the County of Hunterdon, New Jersey**

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FINANCIAL STATEMENTS AS OF AND  
FOR THE YEAR ENDED JUNE 30, 2016

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
North Hunterdon-Voorhees Regional High School District  
County of Hunterdon  
Annandale, New Jersey 08801

### **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 North Hunterdon-Voorhees Regional High School District, County of Hunterdon, New Jersey as of and for the year ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## SUPLEE, CLOONEY & COMPANY

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

### **Opinion**

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 North Hunterdon-Voorhees Regional High School District, County of Hunterdon, New Jersey as of June 30, 2016 and 2015 and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2016 on our consideration of the North Hunterdon-Voorhees Regional High 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 North Hunterdon-Voorhees Regional High School District's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Warren M. Korecky

Warren M. Korecky, C.P.A., P.S.A.

December 2, 2016

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$18,824,933.25	\$214,920.34	\$19,039,853.59
Restricted cash and cash equivalents	6,039,811.68		6,039,811.68
Receivables, net	1,754,030.45	16,613.77	1,770,644.22
Interfund receivable	155,692.62		155,692.62
Inventory		18,812.15	18,812.15
Capital assets:			
Non Depreciable	5,343,557.00		5,343,557.00
Depreciable - Net	24,954,666.00	174,462.00	25,129,128.00
Total Assets	<u>57,072,691.00</u>	<u>424,808.26</u>	<u>57,497,499.26</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Related to pension	2,713,290.00		2,713,290.00
<b>LIABILITIES:</b>			
Accounts payable	942,008.98	17,170.14	959,179.12
Unearned revenue	1,984,915.48	25,222.14	2,010,137.62
Accrued interest on bonds	17,302.08		17,302.08
Noncurrent liabilities:			
Due within one year	1,299,515.67		1,299,515.67
Due beyond one year	23,741,340.78		23,741,340.78
Total liabilities	<u>27,985,082.99</u>	<u>42,392.28</u>	<u>28,027,475.27</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Related to pension	<u>1,183,225.00</u>		<u>1,183,225.00</u>
<b>NET POSITION:</b>			
Net investment in capital assets	23,918,193.75	174,462.00	24,092,655.75
Restricted for:			
Capital projects fund	1,810,247.12		1,810,247.12
Debt service fund (deficit)	(17,299.91)		(17,299.91)
Other purposes	22,075,188.56		22,075,188.56
Unrestricted (deficit)	<u>(17,168,656.51)</u>	<u>207,953.98</u>	<u>(16,960,702.53)</u>
Total net position	<u>\$30,617,673.01</u>	<u>\$382,415.98</u>	<u>\$31,000,088.99</u>

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Indirect Expense Allocation	Programs Revenues		Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
	Instruction:					
	Regular	\$ 15,310,896.47	\$	\$ 6,348,167.81	\$ (20,479,291.07)	\$ (20,479,291.07)
	Special	3,376,503.18		1,614,552.53	(4,300,836.45)	(4,300,836.45)
	Other Instruction	2,722,399.02		1,071,391.31	(3,389,623.71)	(3,389,623.71)
	Support services:					
	Tuition	2,586,470.84			(2,586,470.84)	(2,586,470.84)
	Student & instruction related services	5,607,321.75		2,801,943.73	(6,463,837.51)	(6,463,837.51)
	General administrative services	990,066.15			(1,140,263.94)	(1,140,263.94)
	School administrative services	1,210,706.34			(1,559,241.96)	(1,559,241.96)
Business-type activities	Central services	774,336.46		522,913.33	(1,018,516.38)	(1,018,516.38)
	Administration information technology	744,802.42			(954,285.89)	(954,285.89)
	Plant operations and maintenance	3,950,357.47			(4,717,723.45)	(4,717,723.45)
	Pupil transportation	3,591,157.05			(3,738,989.69)	(3,738,989.69)
	Unallocated benefits	20,478,700.45				
	Interest on Long-Term Debt	57,250.00			(57,250.00)	(57,250.00)
	Unallocated depreciation	1,364,332.00				
	Total governmental activities	62,765,299.60		12,358,968.71	(50,406,330.89)	(50,406,330.89)
	Food Service	1,388,014.91				
	Total business-type activities	1,388,014.91	1,368,433.16	127,298.60	107,716.85	107,716.85
Total primary government			1,368,433.16	127,298.60	107,716.85	107,716.85
General Revenues:						
	Taxes:					
	Property taxes, levied for general purposes, net				\$ 47,048,907.00	\$ 47,048,907.00
	Taxes levied for debt service				393,750.98	393,750.98
	Federal and state aid not restricted				6,042,579.36	6,042,579.36
	Federal and state aid restricted				1,207,227.75	1,207,227.75
	Miscellaneous income				394,229.53	394,229.53
	Total general revenues and special items				55,086,694.62	55,086,694.62
	Change in net position				4,680,363.73	4,680,363.73
Net Position - beginning					25,937,309.28	25,937,309.28
					30,617,673.01	30,617,673.01
					\$ 382,415.98	\$ 382,415.98
Net Position - ending						

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 17,886,428.76	\$ 98,552.58	\$ 839,949.74	\$ 2.17	\$ 18,824,933.25
Cash, Capital Reserve	5,174,430.10				5,174,430.10
Cash, Maintenance Reserve	865,381.58				865,381.58
Due from other funds	155,692.62				155,692.62
Receivables from other governments	652,330.50	113,044.74	988,655.21		1,754,030.45
Total assets	<u>24,734,263.56</u>	<u>211,597.32</u>	<u>1,828,604.95</u>	<u>2.17</u>	<u>26,774,468.00</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	309,652.14	6,949.01	18,357.83		334,958.98
Unearned revenue	1,780,267.17	204,648.31			1,984,915.48
Total liabilities	<u>2,089,919.31</u>	<u>211,597.32</u>	<u>18,357.83</u>		<u>2,319,874.46</u>
Fund balances:					
Restricted for:					
Excess surplus - Current Year	5,098,297.57				5,098,297.57
Excess surplus - Designated for Subsequent Years Expenditure	7,448,618.00				7,448,618.00
Maintenance reserve account	865,381.58				865,381.58
Capital reserve account	5,174,430.10				5,174,430.10
Capital projects			242,953.02		242,953.02
Debt service				2.17	2.17
Assigned to:					
Encumbrances	3,488,461.31		1,567,294.10		5,055,755.41
Unassigned:	569,155.69				569,155.69
Total fund balances	<u>22,644,344.25</u>		<u>1,810,247.12</u>	<u>2.17</u>	<u>24,454,593.54</u>
Total liabilities and fund balances	\$ <u>24,734,263.56</u>	\$ <u>211,597.32</u>	\$ <u>1,828,604.95</u>	\$ <u>2.17</u>	\$ <u>26,774,468.00</u>

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

Total Fund Balances (Brought Forward)		\$24,454,593.54
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	\$66,906,735.00	
Accumulated Depreciation	<u>(36,608,512.00)</u>	
		30,298,223.00
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated Absences	(2,613,101.20)	
Bonds Payable	(755,000.00)	
Net Pension Liability	(16,047,726.00)	
Capital Leases (Net of Unexpended Proceeds)	<u>(5,625,029.25)</u>	
		(25,040,856.45)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Pension related		2,713,290.00
Deferred Inflows:		
Pension related		(1,183,225.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(607,050.00)	
Accrued Interest Payable	<u>(17,302.08)</u>	
		<u>(624,352.08)</u>
Net Position of Governmental Activities		<u>\$30,617,673.01</u>

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 47,048,907.00	\$	\$	393,750.98	\$ 47,442,657.98
Tuition	71,657.85				71,657.85
Transportation	74,530.76				74,530.76
Interest on maintenance reserve	3,081.77				3,081.77
Interest on capital reserve	8,050.58				8,050.58
Miscellaneous	236,908.57	78,791.83			315,700.40
Total revenues - local sources	47,443,136.53	78,791.83		393,750.98	47,915,679.34
State sources	11,268,315.20	4,000.00	1,167,210.00		12,439,525.20
Federal sources	25,292.36	695,898.43			721,190.79
Total revenues	58,736,744.09	778,690.26	1,167,210.00	393,750.98	61,076,395.33
<b>EXPENDITURES:</b>					
Current expense:					
Regular instruction	15,310,896.47				15,310,896.47
Special instruction	3,320,232.37	56,270.81			3,376,503.18
Other Instruction	2,722,399.02				2,722,399.02
Support services:					
Tuition	2,586,470.84				2,586,470.84
Student & instruction related services	4,924,920.05	682,401.70			5,607,321.75
General administrative services	990,066.15				990,066.15
School administrative services	1,210,706.34				1,210,706.34
Central services	774,336.46				774,336.46
Administration information technology	744,802.42				744,802.42
Plant operations and maintenance	4,446,897.04				4,446,897.04
Pupil transportation	3,776,758.53				3,776,758.53
Unallocated benefits	13,606,090.42				13,606,090.42
Debt Service:					
Principal				720,000.00	720,000.00
Interest				73,750.00	73,750.00
Capital outlay	1,542,436.77	40,017.75	2,918,025.00		4,500,479.52
Total expenditures	55,957,012.88	778,690.26	2,918,025.00	793,750.00	60,447,478.14
Excess (deficiency) of revenues over (under) expenditures	2,779,731.21		(1,750,815.00)	(399,999.02)	628,917.19
Other financing sources (uses):					
Transfers in/(out)	(400,000.00)			400,000.00	
Total other financing sources (uses)	(400,000.00)			400,000.00	
Net change in fund balances	2,379,731.21		(1,750,815.00)	0.98	628,917.19
Fund balances, July 1, 2015	20,264,613.04		3,561,062.12	1.19	23,825,676.35
Fund balances, June 30, 2016	\$ 22,644,344.25	\$ -0-	\$ 1,810,247.12	\$ 2.17	\$ 24,454,593.54

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total net change in fund balances - governmental funds (from B-2)	\$628,917.19
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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	(1,364,332.00)
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Capital outlays	\$4,500,479.52	
Additional assets capitalized	185,601.48	
Less:		
Capital outlays not capitalized	(37,522.00)	

4,648,559.00

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	720,000.00
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

Payment of capital lease payable	534,061.57
----------------------------------	------------

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.	16,500.00
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District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	614,609.00	
Less: Pension expense	(852,826.00)	
		(238,217.00)

In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In 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 a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Decrease in Compensated Absences	(265,125.03)
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Change in net position of governmental activities	\$4,680,363.73
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The accompanying Notes to the Financial Statements are an integral part of this statement.



NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND MAJOR FUND FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
ASSETS:		
Current assets:		
Cash and cash equivalents	\$214,920.34	
Accounts receivable - other	2,456.41	\$147,592.07
Intergovernmental Receivables:		
State	828.21	
Federal	13,329.15	
Inventories	18,812.15	
	<hr/>	<hr/>
Total current assets	250,346.26	147,592.07
	<hr/>	<hr/>
Noncurrent assets:		
Furniture, machinery & equipment	538,246.00	
Less accumulated depreciation	(363,784.00)	
	<hr/>	<hr/>
Total noncurrent assets	174,462.00	
	<hr/>	<hr/>
Total assets	424,808.26	147,592.07
	<hr/>	<hr/>
LIABILITIES:		
Current liabilities:		
Accounts payable	17,170.14	
Interfund payable		147,592.07
Unearned revenue	25,222.14	
	<hr/>	<hr/>
Total current liabilities	42,392.28	147,592.07
	<hr/>	<hr/>
Total liabilities	42,392.28	\$147,592.07
	<hr/>	<hr/>
NET POSITION:		
Net investment in capital assets	174,462.00	
Unrestricted	207,953.98	
	<hr/>	<hr/>
Total net position	\$382,415.98	
	<hr/>	<hr/>

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND MAJOR FUND FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
OPERATING REVENUES:		
Charges for services:		
Daily sales	\$1,358,773.82	
Other sales	9,659.34	
Transportation fees from other LEA's within the state		\$767,613.78
Total operating revenues	1,368,433.16	767,613.78
OPERATING EXPENSES:		
Salaries	385,583.58	
Employee benefits	212,489.32	
Other purchase service (Administrative Expenses)	55,911.26	
General supplies	83,459.69	
Depreciation	17,925.00	
Cost of sales - reimbursable programs	289,175.25	
Cost of sales - non-reimbursable programs	343,470.81	
Contracted services - (between home and school) - joint transportation		767,613.78
Total operating expenses	1,388,014.91	\$767,613.78
Operating income (loss)	(19,581.75)	
NONOPERATING REVENUES:		
State Sources:		
State School Lunch Program	5,255.88	
Federal Sources:		
National School Lunch Program	75,915.20	
National School Breakfast Program	10,343.08	
National food distribution commodities	35,784.44	
Interest on Investments	2,371.43	
Total nonoperating revenues	129,670.03	
Change in net position	110,088.28	
Total net position - beginning	272,327.70	
Total net position - ending	\$382,415.98	

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND MAJOR FUND FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
Cash flows from operating activities:		
Receipts from customers	\$1,407,696.77	\$656,057.27
Payments to employees	(385,583.58)	
Payments to employee benefits	(212,489.32)	
Payments to suppliers	(762,753.78)	(767,613.78)
Net cash provided by (used for) operating activities	46,870.09	(111,556.51)
Cash flows from noncapital financing activities:		
State Sources	4,795.53	
Federal Sources	77,003.29	
Interfund Activity		111,556.51
Net cash provided by noncapital financing activities	81,798.82	111,556.51
Cash flows from capital and related financing activities:		
Purchases of capital assets	(43,931.00)	
Net cash provided by (used for) capital and related financing activities	(43,931.00)	
Cash flows from investing activities:		
Interest	2,371.43	
Net cash provided by (used for) investing activities	2,371.43	
Net increase in cash and cash equivalents	87,109.34	
Cash and cash equivalents, July 1, 2015	127,811.00	
Cash and cash equivalents, June 30, 2016	\$214,920.34	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	(19,581.75)	
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	17,925.00	
Federal commodities	35,784.44	
Change in assets and liabilities:		
(Increase) decrease in inventories	(590.12)	
Increase (Decrease) in accounts payable	9,853.35	
Increase (Decrease) in unearned revenue	5,935.58	
	66,451.84	
Net cash provided by (used for) operating activities	\$46,870.09	

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

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FINANCIAL STATEMENTS AS OF AND  
FOR THE YEAR ENDED JUNE 30, 2015

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$23,692,051.39	\$127,811.00	\$23,819,862.39
Restricted cash and cash equivalents	1,709,545.33		1,709,545.33
Receivables, net	1,808,598.10	4,442.02	1,813,040.12
Interfund receivable	41,035.51		41,035.51
Inventory		18,222.03	18,222.03
Capital assets:			
Non Depreciable	5,343,557.00		5,343,557.00
Depreciable - Net	21,670,439.00	148,456.00	21,818,895.00
Total Assets	<u>54,265,226.33</u>	<u>298,931.05</u>	<u>54,564,157.38</u>
DEFERRED OUTFLOW OF RESOURCES:			
Related to pension	1,058,942.00		1,058,942.00
LIABILITIES:			
Accounts payable	1,003,497.48	7,316.79	1,010,814.27
Unearned revenue	3,036,665.50	19,286.56	3,055,952.06
Accrued interest on bonds	33,802.08		33,802.08
Noncurrent liabilities:			
Due within one year	1,254,062.23		1,254,062.23
Due beyond one year	22,858,307.76		22,858,307.76
Total liabilities	<u>28,186,335.05</u>	<u>26,603.35</u>	<u>28,212,938.40</u>
DEFERRED INFLOW OF RESOURCES:			
Related to pension	<u>1,200,524.00</u>		<u>1,200,524.00</u>
NET POSITION:			
Net investment in capital assets	19,379,905.18	148,456.00	19,528,361.18
Restricted for:			
Capital projects fund	3,561,062.12		3,561,062.12
Debt service fund (deficit)	(33,800.89)		(33,800.89)
Other purposes	19,022,927.42		19,022,927.42
Unrestricted (deficit)	<u>(15,992,784.55)</u>	<u>123,871.70</u>	<u>(15,868,912.85)</u>
Total net position	<u>\$25,937,309.28</u>	<u>\$272,327.70</u>	<u>\$26,209,636.98</u>

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Indirect Expense Allocation	Programs Revenues		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 18,266,758.56	\$ 6,874,187.61	\$	\$ 5,021,381.31	\$ (20,119,564.86)	\$	\$ (20,119,564.86)
Special	4,197,022.82	1,768,029.89		1,319,046.35	(4,646,006.36)		(4,646,006.36)
Other Instruction	3,098,391.72	1,155,193.99		830,882.70	(3,422,703.01)		(3,422,703.01)
Support services:							
Tuition	2,610,348.88				(2,610,348.88)		(2,610,348.88)
Student & instruction related services	6,423,203.74	2,239,251.82		2,264,334.70	(6,398,120.86)		(6,398,120.86)
General administrative services	950,821.99	141,542.59			(1,092,364.58)		(1,092,364.58)
School administrative services	1,425,435.41	544,984.79		411,740.31	(1,558,679.89)		(1,558,679.89)
Central services	709,965.63	215,529.81			(925,495.44)		(925,495.44)
Administration information technology	586,795.75	121,509.77			(708,305.52)		(708,305.52)
Plant operations and maintenance	5,055,275.97	719,585.72			(5,774,861.69)		(5,774,861.69)
Pupil transportation	3,921,122.38	236,302.72			(4,157,425.10)		(4,157,425.10)
Allocated benefits	12,444.00	(12,444.00)					
Unallocated benefits	12,598,173.71	(12,598,173.71)					
Interest on Long-Term Debt	92,302.08				(92,302.08)		(92,302.08)
Unallocated depreciation	1,405,501.00	(1,405,501.00)					
Total governmental activities	61,353,563.64	0.00		9,847,385.37	(51,506,178.27)		(51,506,178.27)
Business-type activities							
Food Service	1,307,488.31		1,237,696.36	119,954.34		50,162.39	50,162.39
Total business-type activities	1,307,488.31		1,237,696.36	119,954.34		50,162.39	50,162.39
Total primary government	\$ 62,661,051.95	\$ 0.00	\$ 1,237,696.36	\$ 9,967,339.71	\$ (51,506,178.27)	\$ 50,162.39	\$ (51,456,015.88)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					\$ 47,048,907.00	\$	\$ 47,048,907.00
Taxes levied for debt service					793,000.00		793,000.00
Federal and state aid not restricted					6,110,108.00		6,110,108.00
Federal and state aid restricted					1,125,164.18		1,125,164.18
Miscellaneous income					258,639.71	2,279.63	260,919.34
Transfer of capital assets					962.00	(962.00)	
Disposal of capital asset (net)					(2,432.00)		(2,432.00)
Total general revenues and special items					55,334,348.89	1,317.63	55,335,666.52
Change in net position					3,828,170.62	51,480.02	3,879,650.64
Net Position - beginning (Restated)					22,109,138.66	220,847.68	22,329,986.34
Net Position - ending					25,937,309.28	272,327.70	26,209,636.98

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 20,993,691.50	\$ 187,157.30	\$ 2,511,201.40	\$ 1.19	\$ 23,692,051.39
Cash, Capital Reserve	847,245.52				847,245.52
Cash, Maintenance Reserve	862,299.81				862,299.81
Due from other funds	41,035.51				41,035.51
Receivables from other governments	665,824.31	18,795.21	1,123,978.58		1,808,598.10
Total assets	<u>\$ 23,410,096.65</u>	<u>\$ 205,952.51</u>	<u>\$ 3,635,179.98</u>	<u>\$ 1.19</u>	<u>\$ 27,251,230.33</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 312,970.62	\$ 1,800.00	\$ 74,117.86	\$	\$ 388,888.48
Unearned revenue	2,832,512.99	204,152.51			3,036,665.50
Total liabilities	<u>3,145,483.61</u>	<u>205,952.51</u>	<u>74,117.86</u>		<u>3,425,553.98</u>
Fund balances:					
Restricted for:					
Excess surplus - Current Year	7,400,771.09				7,400,771.09
Excess surplus - Designated for Subsequent Years Expenditure	8,912,611.00				8,912,611.00
Maintenance reserve account	862,299.81				862,299.81
Capital reserve account	1,847,245.52				1,847,245.52
Debt service				1.19	1.19
Assigned to:					
Encumbrances	482,078.99				482,078.99
Capital projects			3,561,062.12		3,561,062.12
Unassigned:					
General fund	<u>759,606.63</u>				<u>759,606.63</u>
Total fund balances	<u>20,264,613.04</u>		<u>3,561,062.12</u>	<u>1.19</u>	<u>23,825,676.35</u>
Total liabilities and fund balances	<u>\$ 23,410,096.65</u>	<u>\$ 205,952.51</u>	<u>\$ 3,635,179.98</u>	<u>\$ 1.19</u>	<u>\$ 27,251,230.33</u>

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



NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

Total Fund Balances (Brought Forward)		\$23,825,676.35
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Assets	\$62,498,839.00	
Accumulated Depreciation	<u>(35,484,843.00)</u>	
		27,013,996.00
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated Absences	(2,347,976.17)	
Bonds Payable	(1,475,000.00)	
Net Pension Liability	(14,130,303.00)	
Capital Leases (Net of Unexpended Proceeds)	<u>(6,159,090.82)</u>	
		(24,112,369.99)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Pension related	444,333.00	
Employer Contribution related to pensions	<u>614,609.00</u>	
		1,058,942.00
Deferred Inflows:		
Pension related		(1,200,524.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(614,609.00)	
Accrued Interest Payable	<u>(33,802.08)</u>	
		<u>(648,411.08)</u>
Net Position of Governmental Activities		<u>\$25,937,309.28</u>

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 47,048,907.00	\$	\$	793,000.00	\$ 47,841,907.00
Tuition	51,772.33				\$51,772.33
Interest on maintenance reserve	3,054.09				3,054.09
Interest on capital reserve	3,484.19				3,484.19
Miscellaneous	200,329.10	29,606.65			229,935.75
Total revenues - local sources	47,307,546.71	29,606.65		793,000.00	48,130,153.36
State sources	10,598,625.31		\$1,123,978.58		11,722,603.89
Federal sources		566,373.01			566,373.01
Total revenues	57,906,172.02	595,979.66	1,123,978.58	793,000.00	60,419,130.26
<b>EXPENDITURES:</b>					
Current expense:					
Regular instruction	15,681,295.60				15,681,295.60
Special instruction	3,510,857.41	14,430.98			3,525,288.39
Other Instruction	2,670,577.87				2,670,577.87
Support services:					
Tuition	2,610,348.88				2,610,348.88
Student & instruction related services	4,975,779.19	580,363.08			5,556,142.27
General administrative services	947,115.44				947,115.44
School administrative services	1,213,434.12				1,213,434.12
Central services	703,379.18				703,379.18
Administration information technology	582,167.33				582,167.33
Plant operations and maintenance	4,494,612.20				4,494,612.20
Pupil transportation	3,917,819.63				3,917,819.63
Allocated benefits	12,444.00				12,444.00
Unallocated benefits	12,700,829.72				12,700,829.72
Debt Service:					
Principal				685,000.00	685,000.00
Interest				108,000.00	108,000.00
Capital outlay	737,958.37	1,185.60	2,809,946.46		3,549,090.43
Total expenditures	54,758,618.94	595,979.66	2,809,946.46	793,000.00	58,957,545.06
Excess (deficiency) of revenues over (under) expenditures	3,147,553.08		(1,685,967.88)		1,461,585.20
Other financing sources (uses):					
Transfers in/(out)	(5,247,030.00)		5,247,030.00		
Total other financing sources (uses)	(5,247,030.00)		5,247,030.00		
Net change in fund balances	(2,099,476.92)		3,561,062.12		1,461,585.20
Fund balances, July 1, 2014	22,364,089.96	-0-		1.19	22,364,091.15
Fund balances, June 30, 2015	\$ 20,264,613.04	\$ -0-	\$ 3,561,062.12	\$ 1.19	\$ 23,825,676.35

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total net change in fund balances - governmental funds (from B-2)			\$1,461,585.20
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			(1,405,501.00)
Capital outlays	\$3,549,090.43		
Less:			
Disposal of Assets, Net of Depreciation	(2,432.00)		
Assets transferred from proprietary fund, net of depreciation	962.00		
Capital outlays not capitalized	<u>(1,064,603.43)</u>		
			2,483,017.00
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.			
			685,000.00
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.			
Payment of capital lease payable			523,809.49
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.			
			15,697.92
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.			
District pension contributions	622,175.00		
Less: Pension expense	<u>(660,269.00)</u>		
			(38,094.00)
In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In 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 a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).			
Decrease in Compensated Absences			<u>102,656.01</u>
Change in net position of governmental activities			<u>\$3,828,170.62</u>

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND MAJOR FUND FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
ASSETS:		
Current assets:		
Cash and cash equivalents	\$127,811.00	
Accounts receivable - other		\$36,035.54
Intergovernmental Receivables:		
State	367.86	
Federal	4,074.16	
Inventories	18,222.03	
Total current assets	150,475.05	36,035.54
Noncurrent assets:		
Furniture, machinery & equipment	494,315.00	
Less accumulated depreciation	(345,859.00)	
Total noncurrent assets	148,456.00	
Total assets	298,931.05	36,035.54
LIABILITIES:		
Current liabilities:		
Accounts payable	7,316.79	
Interfund payable		36,035.54
Unearned revenue	19,286.56	
Total current liabilities	26,603.35	36,035.54
Total liabilities	26,603.35	\$36,035.54
NET POSITION:		
Net investment in capital assets	148,456.00	
Unrestricted	123,871.70	
Total net position	\$272,327.70	

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND MAJOR FUND FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
OPERATING REVENUES:		
Charges for services:		
Daily sales	\$1,219,904.47	
Other sales	17,791.89	
Transportation fees from other LEA's within the state		\$757,463.77
Total operating revenues	1,237,696.36	757,463.77
OPERATING EXPENSES:		
Salaries	358,239.55	
Employee benefits	249,490.53	
Other purchase service (Administrative Expenses)	51,334.55	
General supplies	71,441.18	
Depreciation	15,584.00	
Cost of sales	561,398.50	
Contracted services - (between home and school) - joint transportation		757,463.77
Total operating expenses	1,307,488.31	\$757,463.77
Operating income (loss)	(69,791.95)	
NONOPERATING REVENUES:		
State Sources:		
State School Lunch Program	5,284.42	
Federal Sources:		
National School Lunch Program	76,595.58	
National School Breakfast Program	7,956.30	
National food distribution commodities	30,118.04	
Disposal of capital asset (net)	(962.00)	
Interest on Investments	2,279.63	
Total nonoperating revenues	121,271.97	
Change in net position	51,480.02	
Total net position - beginning	220,847.68	
Total net position - ending	\$272,327.70	

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

NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND MAJOR FUND FOOD SERVICE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
Cash flows from operating activities:		
Receipts from customers	\$1,256,202.91	\$753,105.06
Payments to food service company	(1,209,081.23)	
Payments to employee benefits	(40,854.88)	
Payments to suppliers	(11,838.25)	(757,463.77)
Net cash provided by (used for) operating activities	(5,571.45)	(4,358.71)
Cash flows from noncapital financing activities:		
State Sources	4,989.76	
Federal Sources	82,538.34	
Interfund Activity	(40,889.68)	4,358.71
Net cash provided by noncapital financing activities	46,638.42	4,358.71
Cash flows from capital and related financing activities:		
Purchases of capital assets	(29,900.00)	
Net cash provided by (used for) capital and related financing activities	(29,900.00)	
Cash flows from investing activities:		
Interest	2,279.63	
Net cash provided by (used for) investing activities	2,279.63	
Net increase in cash and cash equivalents	13,446.60	
Cash and cash equivalents, July 1, 2014	114,364.40	
Cash and cash equivalents, June 30, 2015	\$127,811.00	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	(69,791.95)	
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	15,584.00	
Federal commodities	30,118.04	
Change in assets and liabilities:		
(Increase) decrease in inventories	(8,084.89)	
Increase (Decrease) in accounts payable	7,316.79	
Increase (Decrease) in deferred revenue	19,286.56	
	64,220.50	
Net cash provided by (used for) operating activities	(\$5,571.45)	

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

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the North Hunterdon-Voorhees Regional High School District (the District) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Reporting Entity**

The North Hunterdon-Voorhees Regional High School District is a Type II District located in Hunterdon County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two senior high schools located in the North Hunterdon-Voorhees Regional High School District. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The District's basic financial statements consist of District-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*District-Wide Statements:* The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activity of the District at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as generally revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

*Fund Financial Statements:* During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements are presented for each fund category - governmental, proprietary, and fiduciary. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.



**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Types**

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

As required by the New Jersey State Department of Education, the 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, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board resolution; in certain instances approval by the County Superintendent of Schools may also be required.

**Special Revenue Fund** - The special revenue fund is used to account for the proceeds of specific revenue sources from State and Federal Government (other than those for major capital projects, debt service or proprietary funds) and local appropriations that are restricted or committed to expenditures for specified purposes.

**Capital Projects Fund** - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Debt Service Fund** - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Proprietary Fund**

**Enterprise Fund** - The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

**Food Service Fund:**

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

**Internal Service Fund** - The Internal Service Fund has been established to account for the financing of transportation services provided by the District for use by various other districts within Hunterdon County, as well as for the District itself. Services are provided on a cost-reimbursement basis.

**Fiduciary Fund Types**

**Agency Funds** – The agency funds are used to account for assets held by the district on behalf of others and are custodial in nature. The agency funds included in this category are as follows:

**Unemployment Compensation Insurance Trust Fund** - A trust fund used to account for assets to finance the costs of unemployment benefits. Since the Board has adopted the direct reimbursement method, the District is under obligation to appropriate sufficient funds out of its general fund and hold them in trust for this purpose.

**Payroll and Student Activities Funds (Agency)** - These are agency funds used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fiduciary Funds**

**Private Purpose Trust Funds** - A trust fund used to account for assets donated by individuals that will provide for the payment of scholarships to district students.

**Basis of Accounting – Measurement Focus**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*Districtwide, Proprietary, and Fiduciary Fund Financial Statements:* The Districtwide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Val Orem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 District elected to move the School Board election to the date of the November general election thereby eliminating the vote on the annual base budget unless required by the mandated State budget CAP. 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. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of deferred State Aid payments for budgetary purposes only and the accounting treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the 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 records.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrance Accounting**

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 and capital projects fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

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

**Interfunds**

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available spendable resources.

**Inventories and Prepaid Expenses**

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses, which benefit future period, other than those recorded in the enterprise fund, are recorded as an expenditure in the year of purchase.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district- wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In fiscal year 2016, the District implemented GASB 72. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office & Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

**Compensated Absences**

The 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.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's 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 District for the unused sick leave in accordance with the District's agreements with the various employee unions and contracts.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

For the district-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and district-wide presentations.

**Fund Equity**

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unreserved fund balances represent the amount available for future budgetary operations.

Unassigned net position represents the remains of the District's equity in the cumulative earnings of the proprietary funds.

**Unearned Revenue**

Unearned revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long term debt is recognized as a liability on the fund financial statements when due.

**Net Position**

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. In compliance with GASB 63, the Statement of Net Assets has been renamed the Statement of Net Position. Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.



**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Restrictions**

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The District reports the Capital Reserve, Maintenance Reserve and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The District reports amounts Designated for Subsequent Year's Expenditures as Committed Fund Balance.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator. The District reports Year End Encumbrances as Assigned Fund Balance. The District also reports amounts Designated for Subsequent Year's Expenditures as Assigned Fund Balance.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales in the Enterprise Funds. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**Allocation of Indirect Expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of the program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**Management Estimates**

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting and Financial Reporting for Pensions**

In the district-wide financial statements 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 District's proportionate share of the New Jersey Public Employees Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF") and the additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they were reported by PERS and 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.

In the governmental fund financial statements the year end net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1<sup>st</sup> of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The governmental fund financial statements reflect both a revenue and expense for this pension contribution.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of financial 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies in this category, deferred amounts related to pensions.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The District considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

**Deposits**

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), 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 the deposits to the governmental unit.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

<u>Fund Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>		<u>Reconciled Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
Governmental	\$25,415,801.57	\$88,305.58	\$639,362.22	\$24,864,744.93
Proprietary	214,951.59		31.25	214,920.34
Fiduciary	<u>1,909,655.80</u>	<u>457.24</u>	<u>632,512.89</u>	<u>1,277,600.15</u>
	<u>\$27,540,408.96</u>	<u>\$88,762.82</u>	<u>\$1,271,906.36</u>	<u>\$26,357,265.42</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2016, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank 277,912.30 was covered by Federal Depository Insurance and \$27,262,496.66 was covered by NJ GUDPA. The New Jersey Cash Management Fund is an investment pool and is not insured by either FDIC or GUDPA.

**Investments**

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2016, the District had no outstanding investments. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the District is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 3: CHANGE IN CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 372,120.00	\$	\$	\$ 372,120.00
Construction in Progress	4,971,437.00			4,971,437.00
Total Capital assets not being depreciated	<u>5,343,557.00</u>			<u>5,343,557.00</u>
Land Improvements	\$ 3,131,356.00	\$ 1,486,586.00	\$	\$ 4,617,942.00
Building and Building Improvements	44,240,105.00	2,596,181.00		46,836,286.00
Machinery & Equipment	9,783,821.00	565,792.00	240,663.00	10,108,950.00
Totals as historical cost	<u>57,155,282.00</u>	<u>4,648,559.00</u>	<u>240,663.00</u>	<u>61,563,178.00</u>
Total Gross assets (Memo only)	<u>\$ 62,498,839.00</u>	<u>\$ 4,648,559.00</u>	<u>\$ 240,663.00</u>	<u>\$ 66,906,735.00</u>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (2,002,926.00)	\$ (134,159.00)	\$	\$ (2,137,085.00)
Building and Building Improvements	(25,459,800.00)	(1,005,795.00)		(26,465,595.00)
Machinery & Equipment	(8,022,117.00)	(224,378.00)	(240,663.00)	(8,005,832.00)
Total depreciation	<u>(35,484,843.00)</u>	<u>(1,364,332.00)</u>	<u>(240,663.00)</u>	<u>(36,608,512.00)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>21,670,439.00</u>	<u>3,284,227.00</u>		<u>24,954,666.00</u>
Governmental activities capital assets, net	<u>\$ 27,013,996.00</u>	<u>\$ 3,284,227.00</u>	<u>\$</u>	<u>\$ 30,298,223.00</u>
Business-type activities:				
Equipment	\$ 494,317.00	\$ 43,929.00	\$	\$ 538,246.00
Less: Accumulated Depreciation	(345,861.00)	(17,923.00)		(363,784.00)
Proprietary fund capital assets, net	<u>\$ 148,456.00</u>	<u>\$ 26,006.00</u>	<u>\$</u>	<u>\$ 174,462.00</u>
Total Capital Assets - All Funds, net	<u>\$ 27,162,452.00</u>	<u>\$ 3,310,233.00</u>	<u>\$</u>	<u>\$ 30,472,685.00</u>



**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 3:      CHANGE IN CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental expenses as follows:

Instruction:

Regular instruction	\$      1,160,569.51
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Support Services:

Student & Instruction Related Services	111,037.17
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School Administrative Services	9,960.50
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General Administrative Services	3,434.66
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Central Services	6,955.17
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Plant Operations & Maintenance	42,796.56
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Pupil Transportation	<u>29,578.43</u>
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	<u>\$      1,364,332.00</u>
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**NOTE 4:      LONG-TERM LIABILITIES**

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2016:

	<u>Bonds Payable</u>	<u>Capital Leases Payable</u>	<u>Compensated Absences Payable</u>	<u>Net Pension Liability</u>	<u>Total</u>
Balance June 30, 2015	\$ 1,475,000.00	\$ 6,159,090.82	\$ 2,347,976.17	\$ 14,130,303.00	\$ 24,112,369.99
Additions	<u>1,475,000.00</u>	<u>6,159,090.82</u>	<u>287,047.96</u> <u>2,635,024.13</u>	<u>1,917,423.00</u> <u>16,047,726.00</u>	<u>2,204,470.96</u> <u>26,316,840.95</u>
Deletions	<u>720,000.00</u>	<u>534,061.57</u>	<u>21,922.93</u>		<u>1,275,984.50</u>
Balance June 30, 2016	<u>\$ 755,000.00</u>	<u>\$ 5,625,029.25</u>	<u>\$ 2,613,101.20</u>	<u>\$ 16,047,726.00</u>	<u>\$ 25,040,856.45</u>
Amounts due within one year	<u>\$ 755,000.00</u>	<u>\$ 544,515.67</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,299,515.67</u>

**Bonds Payable**

The annual requirements to amortize all debt outstanding as of June 30, 2016, with interest payments on issued debt, are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ <u>755,000.00</u>	\$ <u>37,750.00</u>	\$ <u>792,750.00</u>
	<u>\$ 755,000.00</u>	<u>\$ 37,750.00</u>	<u>\$ 792,750.00</u>

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

**Capital Leases Payable**

The District has previously entered into a lease agreement for energy savings equipment in the amount of \$7,782,467.12. The capital lease was for a term of 15 years at an interest rate of 3.89%. This lease was refinanced in fiscal year 2013 with an interest rate of 1.94% and the same remaining term. The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2016:

<u>Year</u>	<u>Amount</u>
2017	\$ 649,866.00
2018	649,866.00
2019	649,866.00
2020	649,866.00
2021-2026	<u>3,574,263.00</u>
Total minimum lease payments	6,173,727.00
Less: Amounts representing interest	<u>(548,697.75)</u>
Present value of net minimum lease payment	<u><u>\$ 5,625,029.25</u></u>

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 4: LONG-TERM LIABILITIES (CONTINUED)**

Under New Jersey Statutes the District may incur debt in an amount not to exceed 3% of the averaged equalized valuation basis of real property. For the fiscal year ended June 30, 2016, the District borrowing capacity under N.J.S. 18A:24-19 would be as follows:

<u>Year</u>	<u>Equalized Valuation of Real Property</u>
2015	\$8,103,984,231
2014	8,032,597,774
2013	<u>7,994,966,831</u>
	24,131,548,836
Average equalized valuation of property	8,043,849,612
School borrowing margin (3% of \$8,043,849,612)	241,315,488
Net school debt as of June 30, 2016	<u>755,000</u>
School borrowing power available	<u><u>\$240,560,488</u></u>

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 5:      PENSION PLANS**

**Description of Plans** - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, N.J., 08625 or on line at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Teachers' Pension and Annuity Fund (TPAF)** - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey 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.

**Defined Contribution Retirement Program (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 5: PENSION PLANS (CONTINUED)**

**Significant Legislation**

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

**Pension Plan Design Changes**

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

**Funding Changes**

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

**COLA Suspension**

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

**Vesting and Benefit Provisions** - The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43:3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 5: PENSION PLANS (CONTINUED)**

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (*i.e.* the State of New Jersey makes the employer contribution on behalf of public school districts.)

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2016	\$614,609.00	100.00%	\$614,609.00
2015	\$622,175.00	100.00%	\$622,175.00
2014	\$655,814.89	100.00%	\$655,814.89

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2016	\$1,706,550.00	100.00%	\$1,706,550.00
2015	\$1,131,347.00	100.00%	\$1,131,347.00
2014	\$867,196.00	100.00%	\$867,196.00

Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$1,512,449.20 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 68.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**

**Public Employees Retirement System (PERS)**

At June 30, 2016, the District reported a liability of \$16,047,726.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0714884569 percent, which was a decrease of 0.0039829023 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$852,826.00. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$382,842.00
Changes of assumptions		1,723,398.00
Net difference between projected and actual earnings on pension plan investments	\$258,017.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	925,208.00	
District contributions subsequent to the measurement date	<u>                    </u>	<u>607,050.00</u>
	<u>\$1,183,225.00</u>	<u>\$2,713,290.00</u>



**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(Continued)**

**Public Employees Retirement System (PERS) (Continued)**

The \$607,050.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$138,075.00
2017	\$138,075.00
2018	\$138,075.00
2019	\$348,597.00
2020	\$160,193.00

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality Rates**

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

**Long-Term Rate of Return**

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

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 average of the last five years of contributions made in relation to the last five years of 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Actuarial Assumptions (Continued)**

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the district's proportionate share of the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2015		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>3.90%</u>	<u>4.90%</u>	<u>5.90%</u>
District's proportionate share of the pension liability	19,945,360.00	16,047,726.00	12,779,978.00

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

**Teachers Pensions and Annuity Fund (TPAF)**

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, these local participating employers are 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 local participating employers do 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2016 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share	
associated with the District	<u>\$132,262,524</u>
	<u>\$132,262,524</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the proportion of the TPAF net pension liability associated with the District was .2092620067% which was an increase of .0042706583 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue of \$1,706,550.00 for contributions provided by the State.

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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	7.90%

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

**Actuarial Assumptions (Continued)**

**Mortality rates**

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. The 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, 2015 are summarized in the following table:

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

**Actuarial Assumptions (Continued)**

**Long-Term Expected Rate of Return (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
High Yield Bonds	2.00%	4.57%
US Equities Markets	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmlands	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.50%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68**  
**(CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

**Actuarial Assumptions (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.



**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 7: OTHER POST-RETIREMENT BENEFITS**

For eligible retired employees, the School District participates in the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.*, to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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 state disability retirement. P.L. 2007, Chapter 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, 2015, there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical 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 who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 7:      OTHER POST-RETIREMENT BENEFITS (CONTINUED)**

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2016, 2015 and 2014 were \$2,032,029, \$1,796,014 and \$1,421,875, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**NOTE 8:      LITIGATION**

The District's counsel advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School District and which might materially affect the District's financial position.

**NOTE 9:      CONTINGENCIES**

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2015-2016 fiscal year were subject to the Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 10: RISK MANAGEMENT**

The 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.

Property and Liability Insurance - The District maintains insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the 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 District is billed quarterly for amounts due to the State. The table on the following page is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>		<u>Interest Earnings</u>	<u>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-16	\$	1,419.62	\$ 89,057.89	\$ 55,185.47	\$ 449,799.16
2014-15		1,158.47	148,796.40	113,366.98	414,507.12
2013-14		1,160.53	64,171.47	22,886.01	366,263.08

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 11:     COMPENSATED ABSENCES**

The District accounts for compensated absences (e.g. unused vacation and 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.

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

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net position. As of June 30, 2016, a liability existed for compensated absences for governmental fund-types in the district-wide Statement of Net Position of \$2,613,101.20.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016 no liability existed for compensated absences in the proprietary fund.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 12: FUND BALANCE APPROPRIATED**

**General Fund** – The table below reflects the District's Fund Balance at June 30, 2016 on both a GAAP (Exhibit B-1) and Budgetary (Exhibit C-1) basis including the required adjustment related to the last state aid payment which under GAAP is not recognized:

	<u>Budgetary</u> <u>Basis</u>	<u>Adjustment</u>	<u>GAAP</u> <u>Basis</u>
Restricted for:			
Excess surplus:			
Designated for subsequent			
years expenditures	\$ 7,448,618.00	\$	7,448,618.00
Current year	5,098,297.57		5,098,297.57
Maintenance reserve	865,381.58		865,381.58
Capital reserve	5,174,430.10		5,174,430.10
Assigned to:			
Encumbrances	3,488,461.31		3,488,461.31
Unassigned	<u>1,108,812.69</u>	<u>(539,657.00)</u>	<u>569,155.69</u>
	<u>\$ 23,184,001.25</u>	<u>\$ (539,657.00)</u>	<u>\$ 22,644,344.25</u>

**Debt Service Fund** – Of the \$2.17 in Debt Service Fund fund balance at June 30, 2015, \$2.17 is restricted to debt service.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 13: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS**

The Restricted Fund Balance - Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. 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.

General Fund Expenditures	
Fiscal Year Ended June 30, 2016	\$55,957,012.88
Less:	
On-behalf TPAF Pension and Social Security	
Reimbursement	<u>5,251,028.20</u>
Adjusted General Fund Expenditures	\$50,705,984.68
Excess Surplus Percentage	<u>2.00%</u>
2% of Adjusted 2015-16 General Fund Expenditures	1,014,119.69
Add: Allowable Adjustments	94,693.00
Maximum Unreserved/Undesignated Fund Balance	1,108,812.69
Actual Unreserved/Undesignated Fund Balance	<u>6,207,110.26</u>
Excess Surplus	<u><u>\$5,098,297.57</u></u>
Recapitulation of Excess Surplus, June 30, 2016:	
Current Year	\$5,098,297.57
Prior Year - Designated for Subsequent Year's Expenditures	<u>7,448,618.00</u>
	<u><u>\$12,546,915.57</u></u>

Based on the above calculation, as of June 30, 2016, \$7,448,618.00 is reported as Restricted Fund Balance - Excess Surplus Designated for Subsequent Year's Expenditure and was required to be appropriated for property tax relief in the 2016-17 budget. \$5,098,297.57 is reported as Restricted Fund Balance - Excess Surplus and is required to be appropriated for property tax relief in the 2017-18 budget.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 14: INTERFUND RECEIVABLES AND PAYABLES**

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 155,692.62	\$
Internal Services Fund		147,592.07
Trust & Agency Funds	<u>                    </u>	<u>8,100.57</u>
	\$ <u>155,692.62</u>	\$ <u>155,692.64</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between the funds were made.

**NOTE 15: CAPITAL AND OTHER RESERVE ACCOUNTS**

A capital reserve account was established by the District by the inclusion of \$1.00 in the 2000-2001 school year 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 district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department of Education, a 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 appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special election dates authorized by N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 15: CAPITAL AND OTHER RESERVE ACCOUNT (CONTINUED)**

**Capital Reserve Account**

Beginning balance, July 1, 2015		\$1,847,245.52
Budgeted increase in Capital Reserve	\$1,505,934.00	
Per resolution	3,000,000.00	
Interest earned	8,050.58	
	<u>4,513,984.58</u>	
		<u>\$6,361,230.10</u>
Withdrawals		
Transfer to Debt Service	400,000.00	
Transfer to Capital Outlay	786,800.00	
	<u>\$1,186,800.00</u>	
Ending balance, June 30, 2016		<u><u>\$5,174,430.10</u></u>

**Maintenance Reserve Account**

Beginning balance, July 1, 2015		\$862,299.81
Increase in Maintenance Reserve:		
Interest		<u>3,081.77</u>
Ending balance, June 30, 2016		<u><u>\$865,381.58</u></u>

**NOTE 16: DEFERRED COMPENSATION**

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Board does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2016.



**North Hunterdon-Voorhees Regional High School District**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ending June 30, 2016 and 2015**

**NOTE 17:     INVENTORY**

Inventory in the Food Service Fund at June 30, 2016 consisted of the following:

Food and Supplies	<u>\$18,812.15</u>
-------------------	--------------------

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act amendments of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

**NOTE 18:     SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the financial statement date through December 2, 2016 which is the date the financial statements were available to be issued. The District has determined that the following subsequent event needed to be disclosed:

Authorization of Debt

On November 8, 2016, a referendum was approved by the voters of the district authorizing the issue of \$9,743,000.00 in school bonds for various capital improvements of the high school.

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## **APPENDIX C**

### **Form of Bond Counsel's Approving Legal Opinion**

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90 Woodbridge Center Drive  
Suite 900 Box 10  
Woodbridge, NJ 07095-0958  
732.636.8000

\_\_\_\_\_, 2017

The Board of Education of the  
North Hunterdon-Voorhees  
Regional High School District  
Annandale, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$9,743,000 aggregate principal amount of School Bonds, Series 2017 (the “Bonds”) of The Board of Education of the North Hunterdon-Voorhees Regional High School District in the County of Hunterdon, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the “Education Law”); (ii) a proposal adopted by the Board on August 16, 2016 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 8, 2016 and (iii) a resolution adopted by the Board on March 16, 2017 (the “Resolution”).

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form in principal amounts of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing January 15, 2018 and semi-annually thereafter on the fifteenth day of July and January in each year until maturity or prior redemption, and shall mature on January 15 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$538,000	1.000%	2026	\$660,000	2.125%
2019	540,000	1.375	2027	680,000	2.250
2020	555,000	1.500	2028	700,000	2.750
2021	565,000	1.625	2029	725,000	2.750
2022	585,000	1.750	2030	750,000	2.750
2023	600,000	2.000	2031	780,000	3.000
2024	620,000	2.000	2032	805,000	3.000
2025	640,000	2.000			

The Bonds of this issue are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including the bond referendum proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Education Law, the Proposal and the Resolution; (ii) the Bonds are valid and legally binding obligations of the Board; and (iii) all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Board has covenanted to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds

are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed by Section 55 of the Code. However, the interest on the Bonds owned by corporations will be included in such corporations’ “adjusted current earnings” (as defined in Section 56(g) of the Code) in calculating such corporations’ alternative minimum taxable income for purposes of determining the Federal alternative minimum tax.

We are further of the opinion that the Bonds constitute “qualified tax-exempt obligations” within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

The Bonds maturing on January 15 in the years 2018 through 2024, inclusive and 2026 through 2032, inclusive (the “Premium Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser’s basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner’s adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

Except as stated in the preceding four (4) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors’ rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.



## **APPENDIX D**

### **Form of Continuing Disclosure Certificate**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of April 27, 2017 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the North Hunterdon-Voorhees Regional High School District in the County of Hunterdon, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$9,743,000 aggregate principal amount of School Bonds, Series 2016 dated their date of delivery (the "Bonds"). The Bonds are being by virtue of a proposal adopted by the Board on August 16, 2016 and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 8, 2016 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$9,743,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2017 OF THE BOARD OF EDUCATION OF THE NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT IN THE COUNTY OF HUNTERDON, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on March 16, 2017 (the "Bond Resolution"). The Board covenants and agrees as follows:

**SECTION 1.** Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an "Obligated Person" under the Rule (as defined below).

**SECTION 2.** Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

*"Annual Report"* shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Beneficial Owner"* shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

*"Continuing Disclosure Information"* shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

*“Disclosure Representative”* shall mean the Business Administrator/Board Secretary of the Board or his/her designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

*“Dissemination Agent”* shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

*“EMMA”* shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org).

*“Listed Events”* shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

*“MSRB”* shall mean the Municipal Securities Rulemaking Board.

*“Rule”* shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

*“SEC”* shall mean the United States Securities and Exchange Commission.

*“SEC Release No. 34-59062”* shall mean Release No. 34-59062 of the SEC dated December 5, 2008.

*“State”* shall mean the State of New Jersey.

*“Underwriters”* shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

**SECTION 3. Provision of Annual Reports.** (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2017 (for the fiscal year ending June 30, 2017), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2018) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Board does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Board (if the Dissemination Agent is not the Board).

(d) Each year the Dissemination Agent shall file a report with the Board (if the Dissemination Agent is not the Board), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Board changes, the Board shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Board, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

**SECTION 4. Content of Annual Reports.** The Board's Annual Report shall contain or incorporate by reference the following:

- (1) The audited financial statements of the Board.

The audited financial statements are to be prepared in accordance with generally accepted accounting principles (GAAP).

- (2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated April 13, 2017, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

**SECTION 5. Reporting of Significant Events.** (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment 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 rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Bonds;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material
- (11) Ratings changes rating to the Bonds.
- (12) Bankruptcy, insolvency, receivership or similar event of the Board;
- (13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, 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 for the Bonds or the change of name of a trustee for the Bonds, if material.

The Board shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in this subsection (a) of this section 5, the Board may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Board has or obtains knowledge of the occurrence of any of the Listed Events, the Board shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Board determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Board is not the Dissemination Agent) and the Board shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Board determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Board) and the Dissemination Agent (if the Dissemination Agent is not the Board) shall be instructed by the Board not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Board to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Board (if the Dissemination Agent is not the Board). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

**SECTION 6. Termination of Reporting Obligation.** The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

**SECTION 7. Compliance with the Rule.** The Board had previously failed to comply with its previous undertakings, to provide secondary market disclosure pursuant to the Rule. As of the date hereof, however, the Board is in compliance.

**SECTION 8. Dissemination Agent; Compensation.** The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver

(supported by an opinion of counsel expert in Federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) 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 obligated person, 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 holders, as determined either by parties unaffiliated with the Board or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the Board 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 Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 11. Default.** In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations



under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent.**

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

**SECTION 14. Notices.** All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Board of Education:

The Board of Education of the  
North Hunterdon-Voorhees  
Regional High School District  
1445 Route 31 South  
Annandale, New Jersey 08801  
Attention: Business Administrator/Board Secretary

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

The Board of Education of the  
North Hunterdon-Voorhees  
Regional High School District  
1445 Route 31 South  
Annandale, New Jersey 08801  
Attention: Business Administrator/Board Secretary

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

**SECTION 15.** Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

**SECTION 16.** Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

**SECTION 17.** Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE  
NORTH HUNTERDON-VOORHEES  
REGIONAL HIGH SCHOOL DISTRICT**

By: \_\_\_\_\_  
**SUSAN PRESS,**  
**Business Administrator/**  
**Board Secretary**

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Issuer:           The Board of Education of the  
                                  North Hunterdon-Voorhees  
                                  Regional High School District  
                                  in the County of Hunterdon, New Jersey

Name of Issue:           \$9,743,000 School Bonds, Series 2017  
                                  Dated: April 27, 2017  
                                  (CUSIP Number: 660060AZ7)

Date of Issuance:        April 27, 2017

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of April 27, 2017 executed by the Board.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the Board)

cc: The Board

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