

OFFICIAL STATEMENT DATED JUNE 20, 2019

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Board (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**THE BOARD OF EDUCATION OF THE
BOROUGH OF MANASQUAN
IN THE COUNTY OF MONMOUTH, NEW JERSEY
\$20,680,000 SCHOOL BONDS
(Book-Entry-Only) (Callable)**

Dated: Date of Delivery

Due: July 1, as shown on the inside front cover

The \$20,680,000 School Bonds (the "Bonds") of The Board of Education of the Borough of Manasquan in the County of Monmouth, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued 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 Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on January 1 and July 1 in each year until maturity, or earlier redemption, commencing on July 1, 2020. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding December 15 and June 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS-Redemption" herein.

The Bonds are valid and legally binding 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.

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 the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about July 10, 2019.

BofA Merrill Lynch

**THE BOARD OF EDUCATION OF THE BOROUGH OF MANASQUAN
IN THE COUNTY OF MONMOUTH, NEW JERSEY**

\$20,680,000 SCHOOL BONDS

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS*

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2021	\$475,000	2.00%	1.52%	561790DM5
2022	475,000	2.00	1.63	561790DN3
2023	475,000	2.00	1.69	561790DP8
2024	475,000	2.25	1.76	561790DQ6
2025	950,000	2.25	1.95	561790DR4
2026	950,000	2.25	2.06	561790DS2
2027	950,000	2.25	2.17	561790DT0
2028	950,000	2.50	2.25	561790DU7
2029	950,000	2.50	2.37	561790DV5
2030	950,000	2.50	2.45	561790DW3
2031	950,000	3.00	2.46	561790DX1
2032	950,000	3.00	2.53	561790DY9
2033	950,000	3.00	2.58	561790DZ6
2034	950,000	3.00	2.65	561790EA0
2035	950,000	3.00	2.71	561790EB8
2036	950,000	3.00	2.76	561790EC6
2037	950,000	3.00	2.81	561790ED4
2038	950,000	3.00	2.86	561790EE2
2039	950,000	3.00	2.91	561790EF9
2040	930,000	3.00	2.96	561790EG7
2041	900,000	3.00	3.01	561790EH5
2042	900,000	3.00	3.05	561790EJ1
2043	900,000	3.00	3.09	561790EK8
2044	900,000	3.00	3.11	561790EL6

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by S&P Capital IQ's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. 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
BOROUGH OF MANASQUAN
IN THE COUNTY OF MONMOUTH, NEW JERSEY**

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SOLICITOR

Kenney, Gross, Kovats & Parton
Red Bank, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, 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 foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriter.

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**OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
BOROUGH OF MANASQUAN
IN THE COUNTY OF MONMOUTH, NEW JERSEY**

**\$20,680,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY) (CALLABLE)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Manasquan in the County of Monmouth, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$20,680,000 School Bonds (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 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 the date of delivery and shall mature on July 1 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the first day of January and July, commencing on July 1, 2020 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the inside front cover page hereof until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each December 15 and June 15 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co. (or any successor or assign), 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 Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. 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 integrals, with a minimum purchase of \$5,000, through book entries made on the books and the 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 maturing prior to July 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after July 1, 2027 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after July 1, 2026 at a price of 100% of the Bonds to be redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the 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, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the 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, the Bonds to be redeemed 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 and after such redemption date.

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 property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights generally.

New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)

All school bonds are secured by 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")). 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 issued prior to July 1, 2003 (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 equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (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 Reserve at the required levels, the State of New Jersey (the "State") agrees that the State Treasurer 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 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 being issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.); (ii) a proposal adopted by the Board on November 15, 2016 and approved by a majority of the legal voters present and voting at the School District election held on January 24, 2017; (iii) a proposal adopted by the Board on February 20, 2019 and approved by a majority of the legal voters present and voting at the School District election held on March 12, 2019; and (iv) a resolution duly adopted by the Board on May 14, 2019 (the "Resolution").

The purpose of the Bonds is to: (i) provide \$12,033,754 to currently refund the Board's Temporary Notes dated September 6, 2018 and maturing September 6, 2019, originally issued to finance a portion of various school facilities projects; and (ii) permanently finance the cost of various school facilities projects in and by the Board in the amount of \$8,646,246.

BOOK-ENTRY-ONLY SYSTEM¹

The following description 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 defined below, 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, each 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 and 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 S&P Global Ratings, acting through Standard & Poor's Financial Services LLC rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants 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

¹ Source: The Depository Trust Company

of Cede & Co. or such other DTC nominee do not affect 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 Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the 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 the 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 Participants and Indirect Participants.

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

The 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-only system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions 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/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day, next preceding an Interest Payment Date.

THE SCHOOL DISTRICT AND THE BOARD

The School District is a Type II school district without a board of school estimate coterminous with the boundaries of the Borough of Manasquan (the "Borough") located in the County of Monmouth (the "County") in the State. The School District serves students in pre-kindergarten (PreK) through grade twelve (12).

The Board consists of twelve (12) elected members which includes nine (9) members from Manasquan Borough and one (1) member from Belmar Borough, Brielle Borough and Spring Lake Heights Borough. Pursuant to State statute, the Board appoints a Superintendent and a Business Administrator. *See* "APPENDIX A – Certain Economic and Demographic Information About the School District and the Borough of Manasquan."

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State 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 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.

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 adopted 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 and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the 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 school 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 categorized 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, which 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, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, 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, approves fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. 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 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 district, 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 school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district.

Under the Uniform Services and Consolidation Act, the Executive County Superintendent is required to eliminate non-operating school districts and to recommend consolidation to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

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.

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 unless the board has moved its annual election to November as discussed below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing body of the Borough must develop the school budget by May 19 of each year. Should the governing body be unable to do so, the Commissioner establishes the local school budget.

The Budget Election Law (P.L. 2011, c.202, effective January 17, 2012) established 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 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 years.

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

The Board has chosen to hold its election in November and has not exceeded its two-percent property tax levy cap.

Spending Growth Limitation

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

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 that 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 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 (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 limitation was 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 ("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 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for

adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expenses and capital outlay budgets, created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 was in effect only through fiscal year 2012. Without an extension of Chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, approved July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the “Tax Levy Cap Law”). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal to bank the unused tax levy for use in any of the next three succeeding budget years. A school district can request a use of “banked CAP” only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under Chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, approved, July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to over funded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban school districts formerly referred to as Abbott Districts referred to herein under “Summary of State Aid to School Districts”, are permitted increases in the tax levy over the 2% limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district’s ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one year must be treated as operating expenses. Accordingly, under the Department of Education’s Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its 2% tax levy cap on spending.

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) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board (and approved by a board of school estimate in a Type I school district); and (v) 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.

When a school district changes from a type I to a type II school district and obligations have been authorized and remain unissued by the municipality pursuant to ordinances adopted by the municipality to authorize and issue school debt, the new type II district assumes the obligation of any outstanding notes issued for such purposes and is authorized to issue notes or bonds without further voter approval to fund such purposes or pay off or permanently finance the notes pursuant to N.J.S.A. 18A:24-63. The Board does not assume the obligation of outstanding school bonds issued by the municipality, but the debt would count towards the school district borrowing margin.

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. Beginning with the fiscal year ended June 30, 2010, a licensed public-school accountant must complete the annual audit no later than five months (5) after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four months. 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.

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 and fourth 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.

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 pre-kindergarten (PreK) through grade twelve (12) school district, the Board can borrow up to 4% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 4% debt limit. *See* "APPENDIX A – Debt Limit of the Board."

Exceptions to Debt Limitation

A Type II school district (other than a regional school 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). The School District has not utilized the municipality's borrowing margin. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

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 financings must mature within five years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see “Energy Savings Obligations” below). Facilities lease purchase agreements, which may only be financed 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, effective July 18, 2000, as amended (“EFCFA”) repealed the authorization to enter into facilities leases for a term in excess of five years. The payment of rent is treated as a current expense and within the school district’s Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) 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 Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the “ESIP Law,” school districts may issue energy savings obligations as refunding bonds without voter approval or lease purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district’s Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

Promissory Notes for Cash Flow Purposes

N.J.S.A. 18A:22-44.1 permits school districts to issue promissory notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These promissory notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

Investment of School Funds

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or fewer, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or fewer issued by New Jersey school districts, municipalities, counties and entities subject to the Local Authorities Fiscal Control Law, N.J.S.A. 40A:5A-1 *et seq.* or approved by the Division of Investment of the State Department of the Treasury; (6) certain local government investment pools, rated in the highest rating category, investing in U.S. government securities or certain New Jersey local government issuers and repurchase agreements fully collateralized by securities set forth in sections (1) and (3) above and meeting other statutory requirements; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); (8) certain fully collateralized repurchase agreements with a maximum maturity of 30 days for securities

described in sections (1) and (3) above or bonds or other obligations issued by certain New Jersey local governments having a maturity of 397 days or fewer, and meeting other statutory requirements; and (9) deposits of funds initially invested through a public depository meeting the requirements of the Government Unit Deposit Protection Act designated by the school district which arranges for the deposit of the funds in one or more federally insured banks, savings banks, savings and loan associations or credit unions for the account of the school district and meeting other statutory requirements. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 *et seq.* or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a nonpartisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of these securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Board has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State (the "Court") first 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 State 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") (since 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, since 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 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.

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years, aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a "constitutionally adequate scheme". However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six years.

Pursuant to Public Law 2018, c. 67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State (“SFRA Modification Law”). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year. The Board received an additional \$96,341 in fiscal year 2018/19 under the SFRA Modification Law and expects to continue to receive the additional aid unless its enrollment and other factors change.

After over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 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 to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2018. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, 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 their fiscal years 2011 through 2018 budgets representing 15% of the school district’s proportionate share of the 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 governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes

subject to a number of exceptions. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough 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 Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes 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).

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. 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 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 New Jersey local finance system is the annual cash basis budget. The Borough, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

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.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the 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.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may 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 the municipality's calendar 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 the last day of that fiscal 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 of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 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 ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index

Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year’s tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “Cap Law” limits, including the provisions of the recent legislation, would limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

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 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 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.

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 results 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, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the local unit and the county, the tax rate is struck by the Monmouth County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision 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 New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of

\$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to April 15 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 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 New Jersey 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 non-budgetary 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 of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission.

FINANCIAL STATEMENTS

The financial statements of the Board for the fiscal year ended June 30, 2018 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Robert A. Hulsart and Company, Wall, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B – Financial Statements of the Board of Education of the Borough of Manasquan". Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

The Board Auditor has not participated in the preparation of this Official Statement except as previously stated.

LITIGATION

To the knowledge of the Board Attorney, Michael J. Gross, Esq. of Kenney, Gross, Kovats & Parton, Red Bank, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, 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, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material 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 MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. 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. McManimon, Scotland & Baumann, LLC ("Bond Counsel") will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Board with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Board observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Board as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable

to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences of Holding the 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 certain 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 companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Bank Qualification

The Bonds **will not** be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

MUNICIPAL BANKRUPTCY

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 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 certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such 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 municipality 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, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. 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 not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit 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 Municipal Finance Commission must

be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

Reference to the Bankruptcy Code or the State statute should not create any implication that the Board expects to utilize the benefits of their provisions.

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 hereto. Certain legal matters may be passed on to the Board for review by the 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 (as hereinafter defined) by a certificate signed by the Board President and the Business Administrator.

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

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATINGS

Moody's Investors Service, Inc. (the "Rating Agency"), has assigned an underlying rating of "Aa3" (negative outlook) to the Bonds based upon the underlying credit of the School District. The Rating Agency has also assigned its rating of "A3" to the Bonds based upon the additional security provided by the Act.

The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may only be obtained from the Rating Agency at the following address: 7 World Trade Center at 250 Greenwich Street, New York, NY 10007. 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 may 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.

UNDERWRITING

The Bonds have been purchased from the Board at a public sale by Bank of America Merrill Lynch, New York, New York (the "Underwriter") at a price of \$20,680,992.64.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover 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 investments trusts) at yields higher than the public offering yields set forth on the inside front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal 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 Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Board shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to February 1 of each year, beginning February 1, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board and certain financial information and operating data consisting of (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

(b) if any of the following material events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS 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 security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material;
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Board, if any such event reflects financial difficulties.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) Notice of failure of the Board to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

(d) If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

(e) The Business Administrator/Board Secretary shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Board prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

(f) In the event that the Board fails to comply with the Rule requirements or the written contracts or undertakings specified in the Resolution, the Board shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

Within the five years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, audited financial information for the fiscal year ending June 30, 2018. This was a result of a delay in receipt of the Governmental Accounting Standards Board (GASB) Statement No. 75 auditor's report that is provided by the State to all school districts. Without such information the CAFR could not be completed. A late filing notice has been filed with EMMA. The Board appointed Phoenix Advisors, LLC in May of 2015 to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Lynn Coates, Business Administrator/Board Secretary, at 169 Broad Street, Manasquan, NJ 08736, (732) 528-8800, ext. 1921, or to the Municipal Advisor, Phoenix Advisors, LLC, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

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 of its authorized officials to the effect that such official 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 such official's 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 of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

THE BOARD OF EDUCATION OF THE BOROUGH OF MANASQUAN IN THE COUNTY OF MONMOUTH, NEW JERSEY

By: /s/ Lynn Coates

Lynn Coates, Business Administrator/Board Secretary

Date: June 20, 2019

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APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL DISTRICT AND THE BOROUGH OF MANASQUAN

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INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

The School District is a Type II school district that is coterminous with the borders of the Borough of Manasquan (the “Board”). The School District provides a full range of educational services appropriate to kindergarten (K) through grade twelve (12).

The Board is composed of twelve (12) members. Manasquan holds nine positions on the Board and the sending districts fill the other three positions. The sending districts include Avon-by-the-Sea, Belmar, Brielle, Lake Como, Sea Girt, Spring Lake and Spring Lake Heights (collectively, the “Sending Districts”).

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

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

Description of Facilities

The Board presently operates the following school facilities:

Facility	Grade Level	Student Enrollment (As of 6/30/18)
Manasquan Elementary School	K-8	585
Manasquan High School	9-12	920

Source: Comprehensive Annual Financial Report of the School District

¹ Source: The Board, unless otherwise indicated.

Staff

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Teaching Professionals	145	145	144	141	134
Support Staff	<u>85</u>	<u>83</u>	<u>80</u>	<u>78</u>	<u>73</u>
Total Full & Part Time Employees	<u>230</u>	<u>228</u>	<u>223</u>	<u>218</u>	<u>207</u>

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

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

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2018-2019	1,516
2017-2018	1,505
2016-2017	1,560
2015-2016	1,580
2014-2015	1,599

Projected Future Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2020-2021	1,500
2019-2020	1,495

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

Labor Relations

<u>Labor Contract Representing</u>	<u>Date of Contract Expiration</u>
Education Association	6/30/2023
Administrators	6/30/2024

Source: School District

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the “Pension System”). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund (“TPAF”) and (2) the Public Employee's Retirement System (“PERS”). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the “Division”), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

Fiscal 2019-20 Budget

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

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2019-2020 fiscal year is \$27,465,176. The major sources of revenue are \$15,649,409 from the local tax levy and \$870,415 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

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

<u>Budget Year</u>	<u>Amount Raised in Taxes</u>	<u>Budget Amount</u>	<u>Election Result</u>
2019-2020	\$15,649,409	\$27,465,176	N/A
2018-2019	15,342,558	27,470,610	N/A
2017-2018	14,698,690	25,296,813	N/A
2016-2017	14,153,618	24,648,708	N/A
2015-2016	12,952,283	23,731,297	N/A

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

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Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2014 through June 30, 2018 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$14,698,690	\$14,153,618	\$12,952,283	\$12,575,032	\$12,034,544
Other Local Revenue	<u>9,490,941</u>	<u>9,100,423</u>	<u>8,783,350</u>	<u>9,551,195</u>	<u>9,040,716</u>
Total revenues-local sources	24,189,631	23,254,041	21,735,633	22,126,227	21,075,260
State Sources	4,397,600	3,918,637	3,557,196	3,074,606	2,845,757
Federal Sources	<u>21,593</u>	<u>9,284</u>	<u>839,651</u>	<u>890,000</u>	<u>1,303,948</u>
Total Revenues	\$28,608,824	\$27,181,962	\$26,132,480	\$26,090,833	\$25,224,965
EXPENDITURES					
General Fund:					
Instruction	\$10,979,705	\$10,670,241	\$10,642,514	\$10,981,432	\$10,385,656
Undistributed Expenditures	17,447,541	16,279,989	15,553,667	14,583,696	13,842,029
Capital Outlay	<u>540,026</u>	<u>836,332</u>	<u>47,745</u>	<u>106,517</u>	<u>249,491</u>
Total Expenditures	\$28,967,272	\$27,786,562	\$26,243,926	\$25,671,645	\$24,477,176
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(358,448)	(604,600)	(111,446)	419,188	747,789
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	0	0	0	0
Transfers in	0	0	0	0	0
Transfers out	<u>(100)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	(100)	0	0	0	0
Net Change in Fund Balance	(358,548)	(604,600)	(111,446)	419,188	747,789
Fund Balance, July 1	<u>1,469,104</u>	<u>2,073,704</u>	<u>2,185,150</u>	<u>1,765,962</u>	<u>1,018,173</u>
Fund Balance, June 30	<u>\$1,110,556</u>	<u>\$1,469,104</u>	<u>\$2,073,704</u>	<u>\$2,185,150</u>	<u>\$1,765,962</u>

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

Capital Leases

As of June 30, 2018, the Board has capital leases outstanding with payments due through year ending June 30, 2020, totaling \$20,594.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2018, the Board has no operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

Short-Term Debt

On September 6, 2018, the Board issued \$12,033,754 Temporary Notes which mature on September 6, 2019.

Source: Comprehensive Annual Financial Report of the School District

Long-Term Debt

The following table outlines the outstanding long-term debt of the Board as of June 30, 2018.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$649,234	\$192,379	\$841,613
2020	688,042	158,271	846,313
2021	715,215	134,898	850,113
2022	742,418	104,945	847,363
2023	779,651	73,712	853,363
2024	812,098	40,515	852,613
2025	<u>635,000</u>	<u>19,050</u>	<u>654,050</u>
TOTALS	<u>\$5,021,656</u>	<u>\$723,769</u>	<u>\$5,745,425</u>

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years. (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to Debt Limitation”). The following is a summation of the Board’s debt limitations as of June 30, 2018:

Average Equalized Real Property Valuation (2016, 2017, and 2018)	\$2,115,242,404
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School District Debt Analysis

Permitted Debt Limitation (4% of AEVP)	\$84,609,696
Less: Bonds and Notes Authorized and Outstanding	<u>17,055,410</u>
Remaining Limitation of Indebtedness	\$67,554,286
Percentage of Net School Debt to Average Equalized Valuation	0.81%

Source: Comprehensive Annual Financial Report of the School District

INFORMATION REGARDING THE BOROUGH¹

The following material presents certain economic and demographic information of the Borough of Manasquan (the “Borough”), in the County of Monmouth (the “County”), State of New Jersey (the “State”).

General Information

The Borough was incorporated in 1887. The Borough is 1.4 square miles located along the Manasquan River and the Atlantic Ocean. It is bound by Sea Girt, Wall, Brielle and Ocean County. The Borough is about 67 miles from New York City and 65 miles from Philadelphia.

The major north-south routes serving the Borough are Route 34, Route 35 and Route 71. Connection to New York City is through the Garden State Parkway and by rail through Conrail (New York & Long Branch Railroad) at the Manasquan Station. Public bus service runs along Rt. 71 to New York City.

Form of Government

The Borough is governed under the Borough form of New Jersey municipal government. The governing body consists of a Mayor and a Borough Council comprising six council members, with all positions elected at-large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council consists of six members elected to serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle.

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees’ Retirement System, the Police and Firemen’s Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are set by State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

The Public Employees’ Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be

¹ Source: The Borough, unless otherwise indicated.

a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2018	3,062	2,968	94	3.1%
2017	3,085	2,967	118	3.8%
2016	3,049	2,933	116	3.8%
2015	3,039	2,895	144	4.7%
2014	2,987	2,834	153	5.1%
<u>County</u>				
2018	323,106	311,236	11,870	3.7%
2017	324,530	311,151	13,379	4.1%
2016	326,476	311,922	14,554	4.5%
2015	326,153	309,267	16,886	5.2%
2014	325,525	305,755	19,770	6.1%
<u>State</u>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

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

Income (as of 2017)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$106,298	\$91,807	\$76,475
Median Family Income	134,481	115,075	94,337
Per Capita Income	51,961	46,736	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

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

	<u>Borough</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	5,824	-1.2%	627,551	-0.4%	8,960,161	1.9%
2010	5,897	-6.5	630,380	2.5	8,791,894	4.5
2000	6,310	17.5	615,301	11.2	8,414,350	8.9
1990	5,369	0.3	553,124	9.9	7,730,188	5.0
1980	5,354	7.7	503,173	8.9	7,365,001	2.7

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Dana, Ronald B	\$11,142,900	0.56%
208 Properties, LLC	4,248,200	0.21%
Giunco Realty	4,110,700	0.21%
Manasquan Holdings/Acme Markets	3,622,100	0.18%
Carbone, John V. & Diane M.	3,544,400	0.18%
Sprint Comm Co LP c/o Prop Tax Dept	3,346,200	0.17%
Williamson, Mark	3,266,200	0.16%
S & B Associates	3,217,100	0.16%
Mahon, Kenneth & Henrietta	3,068,800	0.15%
SeaBreeze LLC	2,892,500	0.15%
Total	<u>\$42,459,100</u>	<u>2.14%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2018U	\$30,623,854	\$30,192,790	98.59%
2017	29,122,853	28,732,648	98.66%
2016	28,259,900	27,916,590	98.79%
2015	27,311,650	26,824,914	98.22%
2014	26,728,389	26,329,706	98.51%

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>
2018U	\$23,006	\$410,850	\$433,856
2017	7,716	380,567	388,283
2016	4,821	338,432	343,254
2015	4,821	462,474	467,295
2014	0	399,863	399,863

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2018U	\$209,040
2017	209,040
2016	209,040
2015	209,040
2014	209,040

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2018	\$0.387	\$0.777	\$0.306	\$1.470
2017	0.345	0.720	0.306	1.371
2016	0.373	0.705	0.303	1.381
2015	0.402	0.876	0.383	1.661
2014	0.391	0.873	0.395	1.659

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2018	\$1,982,950,975	\$2,185,310,750	90.74%	\$0	\$2,185,310,750
2017	1,976,539,375	2,108,281,260	93.89	0	2,108,281,260
2016R	1,968,026,875	2,052,135,202	96.30	0	2,052,135,202
2015	1,591,130,100	1,978,626,505	80.59	0	1,978,626,505
2014	1,555,731,800	1,915,689,940	81.21	0	1,915,689,940

R: Revaluation

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	\$33,543,500	\$1,799,987,425	\$0	\$133,793,450	\$7,960,100	\$7,666,500	\$1,982,950,975
2017	27,313,300	1,799,617,725	0	133,981,750	7,960,100	7,666,500	1,976,539,375
2016R	34,475,300	1,784,221,225	0	133,703,750	7,960,100	7,666,500	1,968,026,875
2015	35,166,900	1,423,674,400	0	118,667,100	6,373,300	7,248,400	1,591,130,100
2014	36,178,600	1,384,076,200	0	121,638,600	6,390,700	7,447,700	1,555,731,800

R: Revaluation

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$950,000	\$1,150,000	\$1,150,000	\$1,160,000	\$1,660,862
Miscellaneous Revenues	2,065,992	1,859,510	1,970,004	2,347,785	1,927,225
Receipts from Delinquent Taxes	375,000	400,000	300,000	340,000	370,000
Amount to be Raised by Taxation	<u>6,318,219</u>	<u>6,481,043</u>	<u>6,713,947</u>	<u>6,887,080</u>	<u>7,146,415</u>
Total Revenue:	<u>\$9,709,212</u>	<u>\$9,890,553</u>	<u>\$10,133,950</u>	<u>\$10,734,865</u>	<u>\$11,104,502</u>

Appropriations

General Appropriations	\$7,475,196	\$7,433,263	\$7,634,860	\$7,812,631	\$8,033,719
Operations (Excluded from CAPS)	510,297	514,802	536,497	493,452	535,511
Deferred Charges and Statutory Expenditures	377,089	413,396	413,396	196,328	512,075
Judgments	0	0	0	0	0
Capital Improvement Fund	0	0	0	106,654	109,500
Municipal Debt Service	665,104	746,638	908,877	1,431,686	1,165,573
Reserve for Uncollected Taxes	<u>681,525</u>	<u>782,455</u>	<u>640,319</u>	<u>694,115</u>	<u>748,124</u>
Total Appropriations:	<u>\$9,709,212</u>	<u>\$9,890,553</u>	<u>\$10,133,950</u>	<u>\$10,734,865</u>	<u>\$11,104,502</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

Fund Balance - Current Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018U	\$4,212,324	\$1,660,862
2017	3,900,721	1,160,000
2016	3,588,859	1,150,000
2015	3,136,271	1,150,000
2014	2,786,326	950,000

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Water/Sewer Utility Operating Fund

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

Fund Balance		
<u>Water/Sewer Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2018U	\$798,412	\$378,110
2017	593,490	288,516
2016	577,078	284,349
2015	581,865	265,000
2014	517,691	265,000

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Beach Utility Operating Fund

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

Fund Balance		
<u>Beach Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2018U	\$956,003	\$623,000
2017	1,080,451	544,112
2016	1,086,638	527,696
2015	1,096,509	500,092
2014	988,332	516,258

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Borough Indebtedness as of December 31, 2018

General Purpose Debt

Serial Bonds	\$0
Bond Anticipation Notes	3,334,367
Bonds and Notes Authorized but Not Issued	2,833,583
Other Bonds, Notes and Loans	7,864,472
Total:	<u>\$14,032,422</u>

Local School District Debt

Serial Bonds	\$4,882,422
Temporary Notes Issued	12,033,754
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$16,916,176</u>

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	382,000
Bonds and Notes Authorized but Not Issued	4,104,892
Other Bonds, Notes and Loans	3,814,381
Total:	<u>\$8,301,272</u>

TOTAL GROSS DEBT

\$39,249,871

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	16,916,176
Self-Liquidating Debt	8,301,272
Total:	<u>\$25,217,448</u>

TOTAL NET DEBT

\$14,032,422

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2018)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$16,916,176	100.00%	\$16,916,176
County	1,071,915,000	1.72%	<u>18,429,920</u>
Net Indirect Debt			\$35,346,096
Net Direct Debt			<u>14,032,422</u>
Total Net Direct and Indirect Debt			<u>\$49,378,518</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$2,115,242,404
Permitted Debt Limitation (3 1/2%)	74,033,484
Less: Net Debt	<u>14,032,422</u>
Remaining Borrowing Power	<u><u>\$60,001,062</u></u>
Percentage of Net Debt to Average Equalized Valuation	0.663%
Gross Debt Per Capita based on 2010 population of 5,897	\$6,656
Net Debt Per Capita based on 2010 population of 5,897	\$2,380

Source: Annual Debt Statement of the Borough

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

APPENDIX B

**FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF
THE BOROUGH OF MANASQUAN**

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Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.

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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Manasquan School District
County of Monmouth
Manasquan, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Manasquan School District, in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Manasquan School District, in the County of Monmouth, State of New Jersey, as of June 30, 2018, 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 Matters

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

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 on our consideration of the Manasquan's Board of Education internal control over financial reporting and 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 Manasquan Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

November 14, 2018

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**MANASQUAN PUBLIC SCHOOL DISTRICT
BOROUGH OF MANASQUAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

UNAUDITED

The discussion and analysis of Manasquan Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- ◆ General revenues accounted for \$28,270,216 in revenue or 92.5% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,293,478 or 7.5% to total revenues of \$30,564,194.
- ◆ Total Net Position of governmental activities decreased by \$2,541,829 as cash and cash equivalents, and receivables decreased by \$531,101, accounts payable and long-term liabilities increased by \$517,296 and capital assets decreased by \$178,393; Net Pension changes accounted for the remaining \$1,315,039. The Board borrowed a short term note in the amount of \$12,033,754 to fund the referendum building project.
- ◆ The School District had \$33,086,342 in expenses; only \$2,293,978 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes and tuition) of \$28,270,216 were adequate to provide for these programs.
- ◆ The General Fund had \$28,608,824 revenues and \$28,967,272 in expenditures. The General Fund's balance decreased \$358,548 from 2017. This decrease was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Manasquan Public School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Positions and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ◆ **Governmental Activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins with Schedule B-1. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School district's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

Table 1 provides a summary of the School District's net position for 2017 and 2018.

Table 1		
Net Positions		
	<u>2017</u>	<u>2018</u>
Assets		
Current and other assets	\$ 8,525,984	\$ 8,120,523
Capital assets, net	18,753,154	18,581,820
Total Assets	<u>\$27,279,138</u>	<u>\$26,702,343</u>
Deferred Outflow of Resources	<u>\$2,810,324</u>	<u>\$2,719,653</u>
Deferred Inflow of Resources	<u>\$524,929</u>	<u>\$1,835,613</u>
Liabilities		
Long-term liabilities	\$16,152,949	\$12,263,682
Other liabilities	8,639,220	13,045,784
Total Liabilities	<u>\$24,792,169</u>	<u>\$25,309,466</u>
Net Assets		
Invested in capital assets, net of debt	\$6,600,719	\$2,478,066
Restricted	554,816	385,185
Unrestricted	(2,383,171)	(586,334)
Total Net Position	<u>\$4,772,364</u>	<u>\$2,276,917</u>

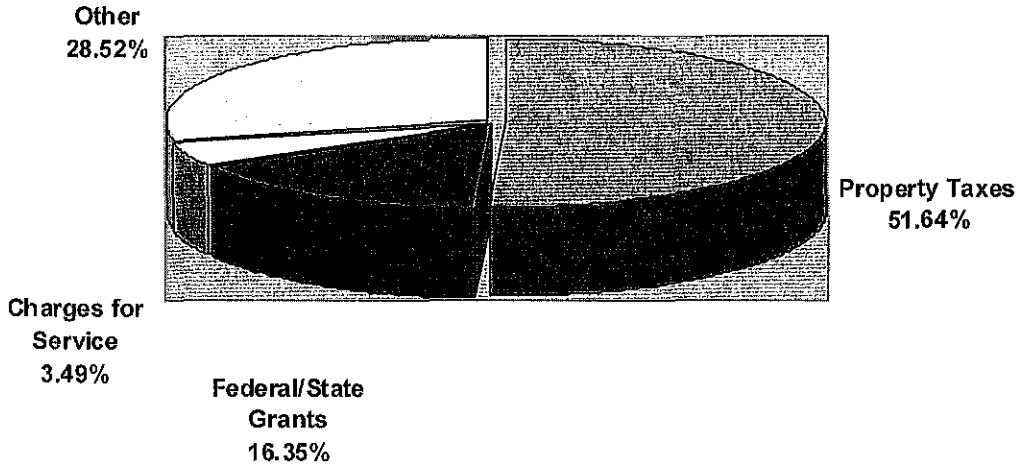
Table 2 shows the changes in net position from fiscal year 2017 to 2018.

Table 2		
Changes in Net Positions		
	<u>2017</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$1,393,875	\$1,753,197
Operating grants and contributions	668,315	540,781
General revenues		
Property taxes	14,819,969	15,365,790
Grants and entitlements	3,927,921	4,419,193
Other	8,361,818	8,485,233
Total Revenues	<u>29,171,898</u>	<u>30,564,194</u>
Program Expenses		
Instruction	11,217,544	11,368,610
Support services		
Pupils and instructional staff	4,179,151	4,432,622
General administration, school administration, business	10,085,578	10,494,633
Operations and maintenance of Facilities	2,032,233	2,156,165
Pupil Transportation	553,740	654,897
Interest on debt	239,612	219,914
Food service/Surf Team/Aftercare	742,636	788,855
FEMA Loan Payable	0	0
Capital Outlay	646,257	2,260,389
Other	690,081	710,257
Total Expenses	<u>30,386,832</u>	<u>33,086,342</u>
Inc./(Dec.) in Net Assets	<u>(1,214,934)</u>	<u>(2,522,148)</u>

Governmental Activities

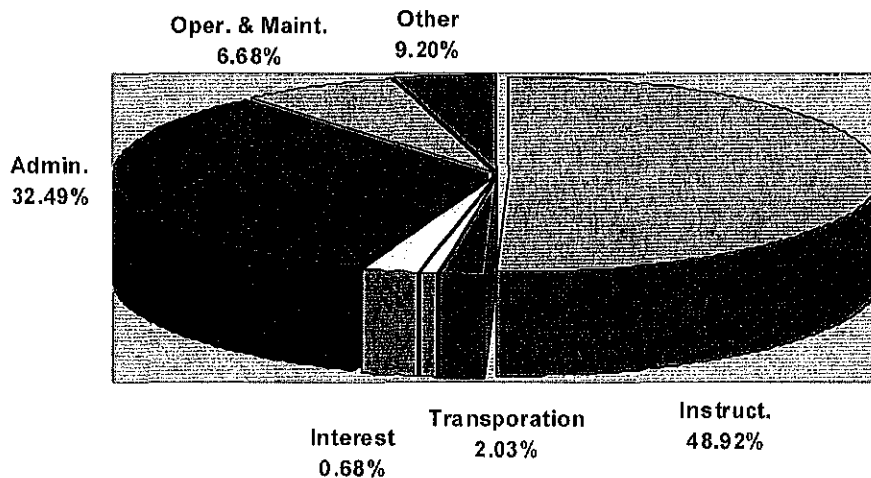
Property taxes made up 51.64% of revenues for governmental activities for the Manasquan Public School District for fiscal year 2018. The District's total revenues were \$29,755,658 for the fiscal year ended June 30, 2018. Federal, state and local grants accounted for another 16.35%. Tuition, interest revenue and miscellaneous income make up 28.52% and charges for services equal 3.49%.

Sources of Revenues for Fiscal Year 2018



The total cost of all programs and services was \$32,297,487. Instruction comprised 48.92% of District expenses. Administration equaled 32.49% and the balance of 18.58% was comprised of operations and maintenance, transportation, interest payments, other payments, food service and surf team.

Expenses for Fiscal Year 2018



Business-Type Activities

Revenues for the District's business-type activities (food service and surf team) were comprised of charges for services and federal and state reimbursements.

- ◆ Food service revenue was less than expenditures by \$2,000.
- ◆ Charges for services represent \$714,135 of revenue. This represents amount paid by patrons for daily food services.
- ◆ Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities was \$94,401.
- ◆ The Surf Team is partially supported by a parent group. The current year revenues and expenditures plus the beginning balance left a positive net assets of \$1,227.
- ◆ The Before and After Care Program is supported by participant revenues. The current year revenues and expenditures left a positive net assets of \$39,161.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Comparisons to 2017 have been shown below.

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2018	Net Cost of Services 2018
Instruction	\$11,217,544	\$10,764,875	\$11,368,610	\$10,985,075
Support services				
Pupils and instructional staff	4,179,151	3,314,036	4,432,622	3,337,315
General administration, school administration, business	10,085,578	10,085,578	10,494,633	10,494,633
Operation and maintenance of facilities	2,032,233	2,032,233	2,156,165	2,156,165
Pupil transportation	553,740	553,740	654,897	654,897
Interest and fiscal charges	239,612	239,612	219,914	219,914
FEMA Loan Payable	0	0	0	0
Capital Outlay	646,257	646,257	2,260,389	2,253,789
Other	<u>690,081</u>	<u>690,081</u>	<u>710,257</u>	<u>710,257</u>
Total Expenses	<u>29,644,196</u>	<u>28,326,412</u>	<u>32,297,487</u>	<u>30,812,045</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District including all employee benefits, workers compensation and social security.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities includes expenses related to student activities provided by the School district which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation and amortization.

The School District's Funds

Information about the School District's major funds starts with Schedule B-2. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund, capital projects and debt service fund presented in the fund-based statements) had total revenues of \$29,755,658 and expenditures of \$34,386,690. The net change in fund balance for the year was made up of the General Fund, a decrease of \$358,548. The debt service fund balance had no increase. The revenues of \$29,755,658 does not include the short term note of \$12,033,754 borrowed from Manasquan Bank for the referendum building project.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2017</u>
Local Sources	\$24,939,241	83.81%	\$954,956
State Sources	4,399,177	14.78%	410,477
Federal Sources	<u>417,240</u>	<u>1.41%</u>	<u>(37,200)</u>
Total Revenue	<u>\$29,755,658</u>	<u>100.00%</u>	<u>\$1,328,233</u>

The increase in Local Sources of \$954,456 was attributed to an increase in the local general fund tax levy, an increase in the debt service tax levy and an increase in tuition revenues.

The increase in State Sources of \$410,477 was attributed to changes in the on-behalf pension.

The decrease in Federal Sources of \$37,200 was attributed to normal fluctuations.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2018.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) from 2017
Current:			
Instruction	\$11,363,240	37.06%	240,330
Undistributed expenditures	17,503,786	54.66%	1,100,151
Capital outlay	546,626	6.06%	(289,706)
Debt service:			
Principal	490,000	1.58%	15,000
Interest	177,100	0.64%	(14,250)
Total Expenditures	<u>\$30,080,752</u>	<u>100.00%</u>	<u>\$68,239</u>

The increase in Current - Instruction of \$240,330 was attributed to an increase in supplies, textbooks and technology supplies.

The increase in Current-Undistributed Expenditures of \$1,100,151 was primarily attributed to the TPAF non-paid pension contribution and maintenance and repair.

The decrease of \$289,706 in capital outlay was based on needed expenditures.

The increase in debt service of \$750 is in accordance with the districts bond schedule.

General Fund Budgeting Highlights

The School district's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2018, the School District amended its General Fund budget as needed. The School district uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

- ◆ Staffing changes based on student needs.
- ◆ Additional costs for student transportation both in regular education and special education.
- ◆ Changes in appropriations to prevent budget overruns.

Capital Assets

At the end of the fiscal year 2018, the School District had \$18,462,282 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2018 balances compared to 2017 and 2016.

Table 4
Capital Assets (Net of Depreciation) at June 30,

	2016	2017	2018
Land	\$1,068,000	\$1,068,000	\$1,068,000
Site Improvements	263,974	569,058	818,668
Buildings	16,355,430	16,544,613	16,221,242
Machinery and Equipment	469,990	459,004	354,372
Totals Capital Assets	\$18,157,394	\$18,640,675	\$18,462,282

Overall capital assets increased \$889,607 from fiscal year 2017 to fiscal year 2018. This increase was due primarily due to a referendum building project.

Debt Administration

At June 30, 2018, the School district had \$24,963,476 outstanding debt. Of this amount \$676,670 is for compensated absences, \$4,070,000 for bonds payable, \$20,114 for capital leases, \$951,656 for loans payable, \$12,033,754 for notes payable and \$7,211,282 for pension liability.

For the Future

The Manasquan Public School District is in very good financial condition presently. A concern is the decline in enrollment growth of the district with the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is limited.

Manasquan is primarily a residential community, with very few ratables; thus the burden of taxes is placed primarily on homeowners. The Manasquan School District has and will continue to look for ways to relieve this burden.

In conclusion, the Manasquan Public School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School district's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Lynn Coates, School Business Administrator/Board Secretary at Manasquan Board of Education, 169 Broad Street, Manasquan, NJ 08736.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

MANASQUAN SCHOOL DISTRICT**STATEMENT OF NET POSITION****Exhibit A-1****JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 513,205	117,492	630,697
Receivables, Net	313,886	20,454	334,340
Inventory		2,114	2,114
Restricted Assets:			
Cash and Cash Equivalents	6,778,187		6,778,187
Capital Reserve Account - Cash	375,185		375,185
Capital Assets Not Depreciated	1,068,000		1,068,000
Capital Assets, Net	17,394,282	119,538	17,513,820
Total Assets	<u>26,442,745</u>	<u>259,598</u>	<u>26,702,343</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>2,719,653</u>		<u>2,719,653</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals	<u>1,835,613</u>		<u>1,835,613</u>
<u>Liabilities</u>			
Accounts Payable	56,731		56,731
Accrued Interest	235,279		235,279
Deferred Revenue	53,980		53,980
Noncurrent Liabilities:			
Due Within One Year	12,699,794		12,699,794
Due Beyond One Year	12,263,682		12,263,682
Total Liabilities	<u>25,309,466</u>	<u>-</u>	<u>25,309,466</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	2,358,528	119,538	2,478,066
Restricted For:			
Other Purposes	385,185		385,185
Unrestricted	<u>(726,394)</u>	<u>140,060</u>	<u>(586,334)</u>
Total Net Position	<u>\$ 2,017,319</u>	<u>259,598</u>	<u>2,276,917</u>

The accompanying notes to financial statements are an integral part of this statement.

MANASQUAN SCHOOL DISTRICT

Exhibit A-2

Sheet 1 of 2

STATEMENT OF ACTIVITIES**FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs	Expenses					
Governmental Activities:						
Instruction:						
Regular	\$ 7,813,618			(7,813,618)		(7,813,618)
Special Education	2,518,264		383,535	(2,134,729)		(2,134,729)
Other Special Instruction	191,261			(191,261)		(191,261)
Other Instruction	845,467			(845,467)		(845,467)
Support Services:						
Tuition	1,039,062	1,039,062		-		-
Student & Instruction Related Services	3,393,560		56,245	(3,337,315)		(3,337,315)
General Administrative Services	620,418			(620,418)		(620,418)
School and Business Administrative Services	1,708,346			(1,708,346)		(1,708,346)
Plant Operations and Maintenance	2,156,165			(2,156,165)		(2,156,165)
Pupil Transportation	654,897			(654,897)		(654,897)
Capital Outlay	2,260,389		6,600	(2,253,789)		(2,253,789)
Unallocated Benefits	8,165,869			(8,165,869)		(8,165,869)
Interest on Long-Term Debt	219,914			(219,914)		(219,914)
Unallocated Depreciation	710,257			(710,257)		(710,257)
Total Governmental Activities	32,297,487	1,039,062	446,380	(30,812,045)	-	(30,812,045)
Business-Type Activities:						
Enterprise Funds	788,855	714,135	94,401		19,681	19,681
Total Business-Type Activities	788,855	714,135	94,401	-	19,681	19,681
Total Primary Government	33,086,342	1,753,197	540,781	(30,812,045)	19,681	(30,792,364)

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

MANASQUAN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-2

Sheet 2 of 2

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Expenses					
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose, Net			14,698,690		14,698,690
Taxes Levied for Debt Service			667,100		667,100
Tuition			8,328,696		8,328,696
Federal and State Aid Not Restricted			4,419,193		4,419,193
Miscellaneous Income			156,537		156,537
Total General Revenues, Special Items and Transfers			28,270,216	-	28,270,216
Change in Net Position			(2,541,829)	19,681	(2,522,148)
Net Position - Beginning			4,559,148	239,917	4,799,065
Net Position - Ending			\$ 2,017,319	259,598	2,276,917

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

FUND FINANCIAL STATEMENTS – B

MANASQUAN SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects	Debt Service	Total Governmental Funds
<u>Assets</u>					
Cash and Cash Equivalents-Restricted	\$ 385,185	8,991	6,759,195	1	7,153,372
Cash and Cash Equivalents-Unrestricted	513,205				513,205
Interfund Receivable			21,486	36,151	57,637
Accounts Receivable	2,000	35,903			37,903
Receivables from Other Governments	275,983				275,983
Total Assets	<u>\$ 1,176,373</u>	<u>44,894</u>	<u>6,780,681</u>	<u>36,152</u>	<u>8,038,100</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 56,731				56,731
Interfund Payable			36,151	21,486	57,637
Deferred Revenue	9,086	44,894			53,980
Total Liabilities	<u>65,817</u>	<u>44,894</u>	<u>36,151</u>	<u>21,486</u>	<u>168,348</u>
<u>Fund Balance:</u>					
Restricted For:					
Maintenance Reserve	10,000				10,000
Capital Reserve Account	25,185				25,185
Assigned To:					
Designated for Subsequent Years Expenditures:					
Capital Reserve	350,000				350,000
Excess Surplus	92,835				92,835
Designated by the Board of Education for Subsequent Year's Expenditures-Excess Surplus	112,699				112,699
Other Purposes	70,703		6,481,659		6,552,362
Unassigned:					
Capital Projects			262,871		262,871
Debt Service				14,666	14,666
General Fund	449,134				449,134
Total Fund Balances	<u>1,110,556</u>	<u>-</u>	<u>6,744,530</u>	<u>14,666</u>	<u>7,869,752</u>
Total Liabilities and Fund Balance	<u>\$ 1,176,373</u>	<u>44,894</u>	<u>6,780,681</u>	<u>36,152</u>	

Amounts reported for governmental activities in
the Statement of Net Position (A-1) are different
because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds. The cost of the
assets is \$32,337,048 and the accumulated
depreciation is \$13,874,766.

18,462,282

Long-term liabilities, including bonds payable, are
not due and payable in the current period and
therefore are not reported as liabilities in the funds.

(24,963,476)

Deferred outflow of resources - contributions to the pension plan

2,719,653

Deferred inflow of resources - acquisition of assets applicable
to future reporting periods

(1,835,613)

Accrued Interest

(235,279)

Net Position of Governmental Activities

\$ 2,017,319

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

MANASQUAN SCHOOL DISTRICT**Exhibit B-2****Sheet 1 of 2****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$ 14,698,690			667,100	15,365,790
Tuition Charges	9,367,758				9,367,758
Shared Services/Athletic Jointure	17,000				17,000
Miscellaneous	106,183	49,156	33,354		188,693
Total Local Sources	24,189,631	49,156	33,354	667,100	24,939,241
State Sources	4,397,600	1,577			4,399,177
Federal Sources	21,593	395,647			417,240
Total Revenues	28,608,824	446,380	33,354	667,100	29,755,658
<u>Expenditures</u>					
Current:					
Regular Instruction	7,808,248				7,808,248
Special Education Instruction	2,134,729	383,535			2,518,264
Other Special Instruction	191,261				191,261
Other Instruction	845,467				845,467
Support Services and Undistributed Costs:					
Tuition	1,039,062				1,039,062
Student and Instruction Related Services	3,337,315	56,245			3,393,560
General Administrative Services	620,418				620,418
School and Other Administrative Services	1,708,346				1,708,346
Plant Operations and Maintenance	2,040,438				2,040,438
Security	144,475				144,475
Pupil Transportation	654,897				654,897
Unallocated Benefits	7,902,590				7,902,590
Debt Service:					
Principal				490,000	490,000
Interest and Other Charges				177,100	177,100
Capital Outlay	540,026	6,600	4,305,938		4,852,564
Total Expenditures	28,967,272	446,380	4,305,938	667,100	34,386,690

MANASQUAN SCHOOL DISTRICT

Exhibit B-2

Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(358,448)</u>	<u>-</u>	<u>(4,272,584)</u>	<u>-</u>	<u>(4,631,032)</u>
Other Financing Sources and Uses:					
Other Financing Sources\Uses - Transfer from Capital Projects			(33,354)	33,354	-
Other Financing Uses - Transfer to Capital Projects			21,486	(21,486)	-
Other Financing Sources - Accounts Receivable Cancelled	(100)				(100)
Other Financing Use - Payment of Temporary Notes			(5,000,000)		(5,000,000)
Other Financing Sources - Temporary Notes			12,012,268		12,012,268
Total Other Financing Sources and Uses	<u>(100)</u>	<u>-</u>	<u>7,000,400</u>	<u>11,868</u>	<u>7,012,168</u>
Total Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources and Uses	<u>(358,548)</u>	<u>-</u>	<u>2,727,816</u>	<u>11,868</u>	<u>2,381,136</u>
Net Change in Fund Balances	(358,548)	-	2,727,816	11,868	2,381,136
Fund Balance - July 1	<u>1,469,104</u>	<u>-</u>	<u>4,016,714</u>	<u>2,798</u>	<u>5,488,616</u>
Fund Balance - June 30	<u>\$ 1,110,556</u>	<u>-</u>	<u>6,744,530</u>	<u>14,666</u>	<u>7,869,752</u>

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

MANASQUAN SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 2,381,136
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	(710,257)
Capital Outlay	2,613,761
Liquidation of noncurrent liabilities are reflected in this fund's financial statements as an expense (use of current financial resources) but are not reported in the statement of activities.	(6,515,006)
Generally expenditures recognized in this fund's financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	(5,370)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	(90,671)
Pension related deferrals	(1,310,664)
Change in Net Pension Liability	1,138,056
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental fund, interest is reported when due.	<u>(42,814)</u>
Change in Net Position of Governmental Activities (A-2)	<u><u>\$ (2,541,829)</u></u>

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

MANASQUAN SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2018

	<u>Enterprise Fund Totals</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 117,492
Accounts Receivable:	
Federal	14,022
State	532
Other	5,900
Inventories	2,114
Total Current Assets	<u>140,060</u>
Noncurrent Assets:	
Furniture, Machinery & Equipment	472,668
Less: Accumulated Depreciation	<u>(353,130)</u>
Total Noncurrent Assets	<u>119,538</u>
Total Assets	<u><u>\$ 259,598</u></u>
 <u>Net Position</u>	
Invested in Capital Assets Net of Related Debt	\$ 119,538
Unrestricted	<u>140,060</u>
Total Net Position	<u><u>\$ 259,598</u></u>

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

MANASQUAN SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2018

	<u>Enterprise Fund Totals</u>
Operating Revenues:	
Charge for Services:	
Daily Sales-Reimbursable Programs	\$ 140,122
Daily Sales-Non-Reimbursable Programs	496,844
Fees	62,515
Catering	14,654
Total Operating Revenues	<u>714,135</u>
Operating Expenses:	
Cost of Sales-Reimbursable Programs	67,951
Cost of Sales-Non-Reimbursable Programs	240,917
Salaries	282,298
Employee Benefits	37,839
Worker's Compensation	8,750
Cost of Supplies	33,365
General Liability Insurance	28,447
Management Fees	21,000
Miscellaneous	48,646
Depreciation	19,642
Total Operating Expenses	<u>788,855</u>
Operating Income (Loss)	(74,720)
Nonoperating Revenues (Expenses):	
Interest Revenue	457
State Sources:	
State School Lunch Program	2,824
Federal Sources:	
National School Lunch Program	71,115
HHFKA Lunch Program	3,274
Food Distribution Program	16,731
Total Nonoperating Revenues (Expenses)	<u>94,401</u>
Change in Net Position	19,681
Adjustment for Fixed Assets	26,702
Total Net Position - Beginning	<u>213,215</u>
Total Net Position - Ending	<u>\$ 259,598</u>

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

MANASQUAN SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

JUNE 30, 2018

	Enterprise Fund Totals
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 714,135
Payments to Employees	(282,298)
Payments to Suppliers	(478,331)
Net Cash Provided (Used by) Operating Activities	<u>(46,494)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	2,824
Federal Sources	74,389
Net Cash Provided (Used by) Noncapital Financing Activities	<u>77,213</u>
Cash Flows from Investing Activities:	
Interest Received	<u>457</u>
Net Increase (Decrease) in Cash & Cash Equivalents	31,176
Balances - Beginning of Year	<u>86,316</u>
Balances - End of Year	<u><u>\$ 117,492</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ (74,720)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used by) Operating Activities	
Depreciation	19,642
Federal Commodities	16,731
(Increase)/Decrease in Accounts Receivable	(9,667)
(Increase)/Decrease in Inventories	<u>1,520</u>
Net Cash Provided (Used by) Operating Activities	<u><u>\$ (46,494)</u></u>

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

MANASQUAN SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDS

JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
Assets:		
Cash and Cash Equivalents	<u>\$ 112,646</u>	<u> 70,122</u>
Total Assets	<u><u>\$ 112,646</u></u>	<u><u> 70,122</u></u>
Net Position:		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 112,646</u>	
Reserved for Scholarships		<u> 70,122</u>
Total Net Position	<u><u>\$ 112,646</u></u>	<u><u> 70,122</u></u>

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

MANASQUAN SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
<u>Additions</u>		
Contributions:		
Plan Member	\$ 26,530	
Donations		22,756
Total Contributions	<u>26,530</u>	<u>22,756</u>
Investment Earnings:		
Interest	485	314
Net Investments Earnings	<u>485</u>	<u>314</u>
Total Additions	<u>27,015</u>	<u>23,070</u>
<u>Deductions</u>		
Unemployment Claims	22,757	
Scholarships Awarded		21,800
Total Deductions	<u>22,757</u>	<u>21,800</u>
Change in Net Position	4,258	1,270
Net Position - Beginning of Year	<u>108,388</u>	<u>68,852</u>
Net Position - End of the Year	<u>\$ 112,646</u>	<u>70,122</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION

MANASQUAN SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the Board of Education (Board) of the Manasquan School District (District) have been prepared in conformity with 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 Board's accounting policies are described below.

A. Reporting Entity:

The Board 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, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary and a high school located in Manasquan Borough. 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.

The District receives high school students from Brielle, Sea Girt, Spring Lake, Spring Lake Heights, Lake Como and Belmar on a tuition basis which represent about 70% of the high school students.

B. Government-Wide Financial Statements

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

Capital Projects Fund: the capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

Agency Funds (Payroll and Student Activities Fund): Agency funds are 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.

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

The Public School Education Act of 1975 limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Budgets/Budgetary Control (Continued):

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted 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 reports.

F. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the 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.

G. Short-Term Interfund Receivables/Payables:

Short-Term interfund receivables/payables represents amounts that are owed, other than charges for good or services rendered to/from a particular fund in the District and that are due within one year.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Inventories and Prepaid Expenses (Continued)

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

I. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company during the 2018 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2017-2018 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2018, fiscal year 2018 depreciation expense, total accumulated depreciation and book values were also provided. The district upgraded for subsequent years with its in-house system. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Land	\$ <u>1,068,000</u>	<u> </u>	<u> </u>	<u>1,068,000</u>
Depreciable Assets:				
Site Improvements	1,737,496	294,514		2,032,010
Buildings	26,848,790	232,387		27,081,177
Equipment	<u>2,504,028</u>	<u>124,501</u>	<u>(472,668)</u>	<u>2,155,861</u>
Total	<u>31,090,314</u>	<u>651,402</u>	<u>(472,668)</u>	<u>31,269,048</u>

NOTE 1: Summary of Significant Accounting Policies (Continued)**I. Capital Assets and Depreciation (Continued)**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance June 30, 2018</u>
Less: Accumulated Depreciation:				
Sites	1,168,439	44,903		1,213,342
Buildings	10,304,177	555,758		10,859,935
Equipment	<u>2,045,023</u>	<u>109,596</u>	<u>(353,130)</u>	<u>1,801,489</u>
Total Accumulated Depreciation	<u>13,517,639</u>	<u>710,257</u>	<u>(353,130)</u>	<u>13,874,766</u>
Net Depreciable Assets	<u>17,572,675</u>	<u>(58,855)</u>	<u>(119,538)</u>	<u>17,394,282</u>
Governmental Activities Capital Assets (Net)	<u>\$ 18,640,675</u>	<u>(58,855)</u>	<u>(119,538)</u>	<u>18,462,282</u>
Business-Type Activities:				
Equipment	\$ 445,966	26,702		472,668
Less: Accumulated Depreciation:				
Equipment	<u>333,487</u>	<u>19,643</u>	<u> </u>	<u>353,130</u>
Business-Type Capital Assets (Net)	<u>\$ 112,479</u>	<u>7,059</u>	<u> </u>	<u>119,538</u>

Accumulated depreciation was allocated to governmental activities as follows:

	<u>Prior Years' Accumulated Depreciation</u>	<u>Current Year Depreciation Expense</u>	<u>Adjustments</u>	<u>Total Accumulated Depreciation</u>
Unallocated	<u>\$ 13,517,639</u>	<u>710,257</u>	<u>(353,130)</u>	<u>13,874,766</u>

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

K. Deferred Revenue

Deferred revenue in the general and special revenue funds represent cash which has been received but not yet earned. Deferred revenue in the general fund represents monies received for fiscal year 2018. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 15).

M. Net Position

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

NOTE 2: Cash and Cash Equivalents and Investments

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

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the District to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)

Investments (Continued)

As of June 30, 2018, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>
Checking, Money Market Accounts And Certificate of Deposit	<u>\$ 8,265,142</u>

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2018 was \$8,265,142 and the bank balance was \$8,742,661. Of the bank balance, \$250,000 was covered by federal depository insurance and \$8,492,661 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following two categories described below:

FDIC	\$ 250,000
GUDPA	<u>8,492,661</u>
	<u>\$ 8,742,661</u>

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Long-Term Portion</u>	<u>2018-19 Payment</u>
Pension Liability	\$ 8,349,338		(1,138,056)	7,211,282	7,211,282	
Compensated Absences Payable	671,300	5,370		676,670	676,670	
Capital Leases Payable	48,862		(28,748)	20,114	3,308	16,806
Notes Payable	5,000,000	12,033,754	(5,000,000)	12,033,754		12,033,754
Loans Payable	3,033,599		(2,081,943)	951,656	812,422	139,234
Bonds Payable	<u>4,560,000</u>		<u>(490,000)</u>	<u>4,070,000</u>	<u>3,560,000</u>	<u>510,000</u>
	<u>\$ 21,663,099</u>	<u>12,039,124</u>	<u>(8,738,747)</u>	<u>24,963,476</u>	<u>12,263,682</u>	<u>12,699,794</u>

NOTE 3: General Long-Term Debt (Continued)

A. Bonds Payable

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

1. Community Disaster Loan for Hurricane Sandy for \$951,656 at interest of 1.375% with a balance of \$951,656 maturing July 17, 2023.
2. 2013 refunding bonds for an addition to the elementary school for \$5,550,000 at interest from 3% to 5% with a balance of \$4,070,000 maturing on January 15, 2025.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2018-2019	\$ 649,234	192,379	841,613
2019-2020	688,042	158,271	846,313
2020-2021	715,215	134,898	850,113
2021-2022	742,418	104,945	847,363
2022-2023	779,650	73,711	853,361
2023/24 thru 2024/25	<u>1,447,097</u>	<u>59,565</u>	<u>1,506,662</u>
	<u>\$ 5,021,656</u>	<u>723,769</u>	<u>5,745,425</u>

Schedule of Bonds Payable

<u>Description</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2018</u>
Community Disaster Loan	2014-2015	1.375%	\$ 951,656
Refunding Bonds	04-30-13	3% to 5%	<u>4,070,000</u>
			<u>\$ 5,021,656</u>

B. Bonds Authorized But Not Issued

As of June 30, 2018, the Board had no authorized but not issued bonds.

NOTE 3: General Long-Term Debt (Continued)

C. Capital Leases Payable:

The District has a lease from Konica and Ricoh for copying machines. These capital leases are for a term of five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2018.

<u>Year Ended</u>	
<u>June 30</u>	<u>Amount</u>
2019	\$ 17,245
2020	<u>3,349</u>
	20,594
Less: Amount Representing Interest	<u>480</u>
Present Value of Net Minimum Lease Payments	<u>\$ 20,114</u>

Summary of Leases

Ricoh copier lease at 2.89% maturing 12-28-19 with a balance of \$6,381 at 6/30/18.

Ricoh copier lease at 3.77% maturing 4-1-20 with a balance of \$2,755 at 6/30/18.

Ricoh copier lease at 4.89% maturing 4-1-20 with a balance of \$10,978 at 6/30/18.

NOTE 4: 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 Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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.

NOTE 4: Pension Plans (Continued)

Public Employees' Retirement System (PERS) – The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions 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.

Vesting and Benefit Provisions – The vesting and benefit provisions for 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 eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

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 contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

Funding Policy – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.20% of employees' annual compensation, as defined. 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 the TPAF.

NOTE 4: Pension Plans (Continued)

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2018, the State of New Jersey contributed \$2,759,005 to the TPAF for normal and post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$856,688 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/18	\$ 296,574	100%	0
6/30/17	259,057	100%	0
6/30/16	264,627	100%	0

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/18	\$ 2,759,005	100%	0
6/30/17	2,326,778	100%	0
6/30/16	2,012,427	100%	0

Pension Expense Deferred Outflows/Inflows – PERS**Plan Description**

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

NOTE 4: Pension Plans (Continued)

Pension Expense Deferred Outflows/Inflows – PERS (Continued)

Plan Description

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2016 through June 30, 2017. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

NOTE 4: Pension Plans (Continued)

Allocation Methodology and Reconciliation to Financial Statements (Continued)

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amount by employer. The allocation percentages for each group of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

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

For the year ended June 30, 2018, the District recognized pension expense of \$296,574. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NOTE 4: Pension Plans (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 169,801	
Changes of Assumptions	1,452,825	1,447,498
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	49,104	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	751,349	388,115
District Contributions Subsequent to the Measurement Date	<u>296,574</u>	<u> </u>
Total	<u>\$ 2,719,653</u>	<u>1,835,613</u>

\$2,719,653 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

Collective balances at December 31, 2017 and 2016 are as follows:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Collective Deferred Outflows of Resources	\$ 2,719,653	2,810,324
Collective Deferred Inflows of Resources	1,835,613	524,949
Collective Net Pension Liability	7,211,282	8,349,338
District's Proportion	.03098%	.02819%

Components of Net Pension Liability

The components of the collective net pension liability of the participating employers as of June 30, 2017 were as follows:

	<u>2017</u>		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 32,535,896,852	44,852,367,051	77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$ 25,645,622,797</u>	<u>23,278,401,588</u>	<u>48,924,024,385</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	21.18%	48.10%	36.78%

NOTE 4: Pension Plans (Continued)

Components of Net Pension Liability (Continued)

The components of the collective net pension liability of the participating employers as of June 30, 2016 were as follows:

	2016		
	State	Local	Total
Total Pension Liability	\$ 36,295,189,928	49,474,698,146	85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$ 29,390,685,705</u>	<u>29,617,131,759</u>	<u>59,007,817,464</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.02%	40.14%	31.20%

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases: Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% – 5.15% Based on Age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 4: Pension Plans (Continued)**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 4: Pension Plans (Continued)**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2017, 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:

2017			
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
State	\$ 29,818,581,732	25,645,622,797	22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
Total	<u>\$ 58,697,018,759</u>	<u>48,924,024,385</u>	<u>40,792,456,582</u>

2016			
	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
State	\$ 34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
Total	<u>\$ 70,715,189,252</u>	<u>59,007,817,464</u>	<u>49,352,744,647</u>

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

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contribution, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

NOTE 4: Pension Plans (Continued)

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

The Schedule of employers and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocation and applied to, presented in the schedule of pension amount by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

NOTE 4: Pension Plans (Continued)

Allocation Methodology (Continued)

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation had modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

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.

Components of Net Pension Liability

The components of the net pension liability of the State as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 90,726,371,000	101,746,770,000
Plan Fiduciary Net Position	<u>23,056,161,829</u>	<u>22,717,862,967</u>
Net Pension Liability	<u>\$ 67,670,209,171</u>	<u>79,028,907,033</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%

State Proportionate Share of Net Pension Liability Attributable to District

	<u>2017</u>	<u>2016</u>
District's Liability	<u>\$ 76,015,774</u>	<u>90,257,822</u>
District's Proportion	.11233%	.11421%

NOTE 4: Pension Plans (Continued)**State Proportionate Share of Net Pension Liability Attributable to District (Continued)**

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases: 2012-2021	Varies Based on Experience
Thereafter	Varies Based on Experience
Investment Rate of Return	7.00%

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

NOTE 4: Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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

The following presents the net pension liability of the State as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the State's 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:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2017 (3.25%, 4.25%, 5.25%)	\$ 80,394,331,171	67,670,209,171	57,188,022,171
2016 (2.22%, 3.22%, 4.22%)	94,378,176,033	79,028,907,033	66,494,248,033

NOTE 5: Post-Retirement Benefits

General Information about the OPEB Plan

Plan description and benefits provided

P.O. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service. (GASB Cod. Sec. 2300.106(g))

NOTE 5: Post-Retirement Benefits (Continued)

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

TPAF participant retirees:

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS participant retirees:

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State's CAFR.

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation rate 2.50%

	<u>TPAF</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55% - 4.55% based on years of service	2.15% - 4.15% based on age
Thereafter	2.00% - 5.45% based on years of service	3.15% - 5.15% based on age

NOTE 5: Post-Retirement Benefits (Continued)

Total OPEB Liability (Continued)

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

Changes in the Total OPEB Liability reported by the State of New Jersey.

	<u>Total OPEB Liability</u>
Balance at 6/30/2016 Measurement Date	\$ 57,831,784,184
Changes for the Year:	
Service Cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Change of Assumptions	(7,086,599,129)
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Gross Benefit Payments	(1,242,412,566)
Contributions from the Member	<u>45,748,749</u>
Balance at 6/30/2017 Measurement Date	<u>\$ 53,639,841,858</u>

NOTE 5: Post-Retirement Benefits (Continued)

Discount Rate (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability (School Retirees)	\$ 63,674,362,200	53,639,841,858	45,680,364,453

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	\$ 44,113,584,560	53,639,841,858	66,290,599,457

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2018, the Board of Education recognized OPEB expense of \$3,519,600 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Manasquan Board of Education proportionate share of school retirees OPEB is zero; there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Proportion	\$ 99,843,255	99,843,255
Changes of Assumptions		6,343,769,032
Total	<u>\$ 99,843,255</u>	<u>6,443,612,287</u>

NOTE 5: Post-Retirement Benefits (Continued)

Discount Rate (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)

NOTE 6: 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 right 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 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.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

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, 2018 no liability existed for compensated absences in the Food Service Fund.

NOTE 7: Capital Reserve Account

A capital Reserve account was established by the Borough of Manasquan Board of Education by inclusion of \$508 on July 1, 2001 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.

NOTE 7: Capital Reserve Account (Continued)

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, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 497,177
Add: Interest Earned	3,154
Less: Budgeted Withdrawal	(2,361)
Board Resolution Withdrawal	(122,785)
Balance June 30, 2018	<u>\$ 375,185</u>

\$350,000 has been designated for use in the budget in 2018-19.

NOTE 8: 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 commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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 the State. The following 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 year and previous year:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2017-2018	\$ 27,015	22,757	112,646
2016-2017	25,181	7,553	108,388
2015-2016	23,978	19,643	90,960

NOTE 9: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/ received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2018 financial statements.

NOTE 10: Economic Dependency

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

NOTE 11: Operating Leases

The District had no operating leases as of June 30, 2018.

NOTE 12: Contingent Liabilities

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect of the financial position of the District.

NOTE 13: 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures Per the CAFR	\$ 28,967,272
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(3,615,693)</u>
Adjusted 2017-18 General Fund Expenditures	<u>\$ 25,351,579</u>
2% of Adjusted 2017-18 General Fund Expenditures	\$ 507,032
Increased by: Allowable Adjustment	<u>926</u>
Maximum Unassigned Fund Balance	<u>\$ 507,958</u>

Section 2

Total General Fund – Fund Balances @ 6-30-18	\$ 1,169,380
Decreased by:	
Other Reserves	(35,185)
Assigned Fund Balance:	
Excess Surplus –Designated for Subsequent Years Expenditures	(112,699)
Capital Reserve - Designated for Subsequent Years Expenditures	(350,000)
Designated Fund Balance - Encumbrances	<u>(70,703)</u>
Total Unassigned Fund Balance	<u>\$ 600,793</u>
Reserve Fund Balance – Excess Surplus	<u>\$ 92,835</u>

NOTE 13: 2% Calculation of Excess Surplus (Continued)

Section 3

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 112,699
Reserved Fund Balance – Excess Surplus 2017-2018	<u>92,835</u>
	<u>\$ 205,534</u>

Detail of Allowable Adjustments

Extraordinary Aid	<u>\$ 926</u>
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Detail of Other Restricted Fund Balance

Capital Reserve	\$ 25,185
Maintenance Reserve	<u>10,000</u>
Total Other Reserved Fund Balance	<u>\$ 35,185</u>

NOTE 14: Fund Balance Appropriated

General Fund – Of the \$1,169,380 General Fund fund balance at June 30, 2018; \$25,185 has been reserved in the Capital Reserve Account; \$350,000 of Capital Reserve has been designated for subsequent year's expenditures; \$112,699 of Excess Surplus has been designated for subsequent years expenditures, \$92,835 is Excess Surplus – Current Year, \$507,958 is unassigned and \$70,703 is reserved for Encumbrances.

NOTE 15: Calculation of Excess Surplus

In accordance with *N.J.S.A. 18A:7F-7*, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). 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. There is excess fund balance at June 30, 2018 of \$92,835.

NOTE 16: FEMA Community Disaster Loan (CDL)

The School District applied for and received a CDL in response to the devastating effects on the property tax ratable base of the municipality due to Superstorm Sandy in October 2012. The District was approved for \$4,719,338 total loan and chose to withdraw \$3,033,599 as a reduction of tax levy assessed for the 2013-2014, 2014-2015 and 2015-2016 school years. This loan was subject to FEMA review in 2016 and was partially cancelled based upon FEMA's calculation of the revenue loss that the District experienced over a specified period. On October 30, 2017, the District was informed by FEMA that \$2,081,943 would be cancelled from the original loan leaving a balance of \$951,656. The balance of the loan will be paid off over five years beginning in the 2018-2019 school year.

NOTE 17: Subsequent Events

On August 15, 2017, the Board of Education authorized the issuance of a temporary note for \$12,033,754, which was issued on September 6, 2018, with a maturity date of September 6, 2019. The interest rate on the note is 3.30% per annum. The proceeds are being used to finance various improvements to the Manasquan Elementary School and High School. The above note replaces the temporary note of \$12,033,754 which matured on September 7, 2018.

NOTE 18: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2018.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Capital Projects	\$ 21,486	36,151
Debt Service Fund	<u>36,151</u>	<u>21,486</u>
	<u>\$ 57,637</u>	<u>57,637</u>

The interfund due to debt service from capital projects is for interest earned on capital projects funds. The interfund due to capital from debt service is due to note financing.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION

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_____, 2019

The Board of Education of the
Borough of Manasquan in the
County of Monmouth, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of The Borough of Manasquan in the County of Monmouth, New Jersey (the “Board of Education”) in connection with the issuance by the Board of Education of \$20,680,000 School Bonds dated the date hereof (the “Bonds”). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on November 15, 2016 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on January 24, 2017, (iii) a proposal adopted by the Board of Education on February 20, 2019 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on March 12, 2019, and (iv) a resolution duly adopted by the Board of Education on May 14, 2019. The Bonds are secured under the provisions of 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).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes 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.

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the “Certificate”) to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).

Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,