

OFFICIAL STATEMENT DATED JUNE 25, 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 TOMS RIVER REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF OCEAN, NEW JERSEY
\$147,148,000 SCHOOL BONDS
(Book-Entry-Only) (Callable)**

Dated: Date of Delivery

Due: July 15, as shown on the inside front cover

The \$147,148,000 School Bonds (the "Bonds") of The Board of Education of the Toms River Regional School District in the County of Ocean, 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 15 and July 15 in each year until maturity, or earlier redemption, commencing on July 15, 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 January 1 and July 1 (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 16, 2019.

**THE BOARD OF EDUCATION OF THE TOMS RIVER REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF OCEAN, NEW JERSEY**

\$147,148,000 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>
2020	\$4,503,000	2.00%	1.460%	890125XU6
2021	4,600,000	2.00	1.490	890125XV4
2022	4,700,000	2.00	1.510	890125XW2
2023	4,800,000	2.00	1.550	890125XX0
2024	5,000,000	2.00	1.600	890125XY8
2025	5,500,000	2.00	1.700	890125XZ5
2026	5,950,000	2.00	1.900	890125YA9
2027	6,300,000	2.00	2.050	890125YB7
2028	6,795,000	2.25	2.250	890125YC5
2029	9,000,000	3.00	2.310	890125YD3
2030	9,000,000	3.00	2.460	890125YE1
2031	9,000,000	3.00	2.580	890125YF8
2032	9,000,000	3.00	2.690	890125YG6
2033	9,000,000	3.00	2.750	890125YH4
2034	9,000,000	3.00	2.850	890125YJ0
2035	9,000,000	3.00	2.900	890125YK7
2036	9,000,000	3.00	2.950	890125YL5
2037	9,000,000	3.00	3.020	890125YM3
2038	9,000,000	3.00	3.084	890125YN1
2039	9,000,000	3.00	3.120	890125YP6

* 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
TOMS RIVER REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF OCEAN, NEW JERSEY**

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Phoenix Advisors, LLC
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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
TOMS RIVER REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF OCEAN, NEW JERSEY**

**\$147,148,000
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 Toms River Regional School District in the County of Ocean, 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 \$147,148,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator, 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 15 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 fifteenth day of January and July, commencing on July 15, 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 January 1 and July 1 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 15, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after July 15, 2027 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after July 15, 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 Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on December 19, 2018 and approved by a majority of the legal voters present and voting at the School District election held on January 22, 2019 and a resolution duly adopted by the Board on May 15, 2019 (the "Resolution").

The purpose of the Bonds is to undertake various renovations, alterations, and improvements at Beachwood Elementary School, Cedar Grove Elementary School, Joseph A. Citta Elementary School, East Dover Elementary School, Hooper Avenue Elementary School, North Dover Elementary School, Pine Beach Elementary School, Silver Bay Elementary School, South Toms River Elementary School, Walnut Street Elementary School, Washington Elementary School, West Dover Elementary School, Intermediate East School, Intermediate North School, Intermediate South School, High School East, High School North, High School South, Administration Building, John Bennett Athletic Center, Vehicle Maintenance

Compound, District Maintenance Compound and Central Registration Complex and including related technology, fixtures, furnishings, equipment, site work and related work (the “Projects”). The Board is entitled to receive 40% debt service aid on the eligible costs of the Projects.

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.

¹ Source: The Depository Trust Company

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 Board operates eighteen (18) school buildings: twelve (12) elementary schools, three (3) intermediate schools and three (3) high schools. The School District serves the Boroughs of Beachwood, Pine Beach and South Toms River, along with the Township of Toms River (the "Constituent Municipalities").

The Board is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. Six members are elected from Toms River Township, and one member is elected from each of the Boroughs of Pine Beach, Beachwood and South Toms River. The purpose of the School District is to educate students in grades Pre-K through twelve (12). The Superintendent of the School District is appointed by the Board and is responsible for the administrative control of the School District.

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 bodies of the Constituent Municipalities must develop the school budget by May 19 of each year. Should the governing bodies be unable to do so, the Commissioner establishes the local school budget.

The 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 kindergarten (K) through grade twelve (12) school district, the School District can borrow up to 4% of the average equalized valuation of taxable property in the School District. The School District 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 Constituent Municipalities' borrowing margins. 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’s funding will be reduced under the SFRA Modification Law unless its enrollment and other factors change. The reduction for the 2019 fiscal year was \$2,357,955. The Board is currently a participant in a multi-Plaintiff law suit against the Commissioner of Education challenging Public Law 2018,c67 modifying the School Funding Reform Act of 2008.

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 Constituent Municipalities are general full faith and credit obligations.

The authorized bonded indebtedness of the Constituent Municipalities 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 Constituent Municipalities may exceed their 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 Constituent Municipalities 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 Constituent Municipalities or substantially reduce the ability of the Constituent Municipalities to meet their 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 Constituent Municipalities 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 Constituent Municipalities 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 Constituent Municipalities, which operate 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 Constituent Municipalities to levy *ad valorem* taxes upon all taxable real property within the Constituent Municipalities 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 Constituent Municipalities and the County of Ocean (the “County”), the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory 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 Constituent Municipalities’ 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 Constituent Municipalities 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 Wiss & Company, LLP, Livingston, 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 Toms River Regional School District". 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, Stephan R. Leone, Esq. of Carluccio, Leone, Dimon, Doyle & Sacks, LLC, Toms River, 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

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA-" to the Bonds based upon the underlying credit of the School District. The Rating Agency has also assigned its rating of "BBB+" 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: 55 Water Street, New York, New York 10041. 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 Morgan Stanley & Co. LLC (the "Underwriter") at a price of \$147,148,000.00.

Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor

network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds

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 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.

The Board has previously entered into continuing disclosure undertakings under the Rule. The Board appointed Phoenix Advisors, LLC, Bordentown, New Jersey in April of 2013 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to William J. Doering, Business Administrator, at 1144 Hooper Avenue, Toms River, NJ 08753, (732) 505-5524, 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 TOMS RIVER REGIONAL SCHOOL DISTRICT IN THE COUNTY OF OCEAN, NEW JERSEY

By: /s/ William J. Doering
William J. Doering, Business Administrator

Date: June 25, 2019

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APPENDIX A

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

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INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

The Toms River Regional School District (the “School District”) is comprised of twelve (12) regional elementary schools, three (3) regional middle schools, and three (3) regional high schools, together providing a full range of educational services appropriate to grade levels from kindergarten through grade twelve (12).

The School District is a Type II regional school district that serves the Township of Toms River, the Borough of Beachwood, the Borough of Pine Beach and the Borough of South Toms River. The School District was formed pursuant to Chapter 13 of Title 18A of the New Jersey Statutes, which authorizes two or more municipalities to create a regional school district upon the approval of the voters of each of said municipalities.

The Board of Education (the “Board”) is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. Six members are elected from Toms River Township, and one member is elected from each of the Boroughs of Pine Beach, Beachwood and South Toms River. The President and Vice President are chosen from among the members of the Board for one (1) year terms.

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.

¹ Source: The Board, unless otherwise indicated.

Description of Facilities

The Board presently operates the following school facilities:

Facility	Construction Date	Grade Level	Student Enrollment (As of 6/30/18)
Beachwood Elementary School	1988	K-5	315
Cedar Grove Elementary	1971	K-5	858
Citta Elementary	1998	K-5	613
East Dover Elementary	1953	K-5	661
Hooper Avenue Elementary	1965	K-5	729
North Dover Elementary	1955	K-5	524
Pine Beach Elementary	1953	K-5	452
Silver Bay Elementary	1972	K-5	637
South Toms River Elementary	1981	K-5	334
Walnut Street Elementary	1964	K-5	787
Washington Street Elementary	1960	K-5	417
West Dover Elementary	1963	K-5	383
Toms River Intermediate East	1960	6-8	1,456
Toms River Intermediate North	1973	6-8	1,244
Toms River Intermediate South	2005	6-8	1,072
Toms River High School East	1978	9-12	1,409
Toms River High School North	1968	9-12	2,101
Toms River High School South	1951	9-12	1,373

Source: Comprehensive Annual Financial Report of the School District

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.

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2018 for each of the past five (5) years.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Teaching Professionals	1,244	1,244	1,258	1,267	1,156
Support Staff	<u>1,042</u>	<u>1,066</u>	<u>1,067</u>	<u>939</u>	<u>1,044</u>
Total Full & Part Time Employees	<u><u>2,286</u></u>	<u><u>2,310</u></u>	<u><u>2,325</u></u>	<u><u>2,206</u></u>	<u><u>2,200</u></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.

<u>School Year</u>	<u>Enrollment</u>
2018-2019	15,466
2017-2018	15,565
2016-2017	15,788
2015-2016	15,908
2014-2015	15,856

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

Pensions

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

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

Fiscal 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 a school district 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 a school district 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 Board has chosen under the Election Law to move its annual school election to 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 \$228,854,883. The major sources of revenue are \$158,444,292 from the local tax levy and \$64,356,786 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. A summary of the last five (5) budget years of the Board is presented below:

<u>Budget Year</u>	<u>Amount Raised in Taxes</u>	<u>Budget Amount</u>	<u>Election Result</u>
2018-2019	\$155,329,012	\$230,199,632	N/A
2017-2018	151,916,715	226,765,183	N/A
2016-2017	144,911,387	221,630,232	N/A
2015-2016	137,569,026	218,972,877	N/A
2014-2015	132,197,482	214,691,443	N/A

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

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2014 through June 30, 2018 for the general fund. This summary should be used in conjunction with the tables in the sourced documents from which it is derived (see Appendix B). 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	\$151,916,716	\$144,911,347	\$137,569,066	\$132,197,482	\$118,518,706
Other Local Revenue	<u>3,022,038</u>	<u>2,589,718</u>	<u>2,479,240</u>	<u>1,954,914</u>	<u>2,327,725</u>
Total revenues-local sources	154,938,754	147,501,065	140,048,306	134,152,396	120,846,431
State Sources	99,327,782	95,145,161	91,652,294	88,367,353	85,374,188
Federal Sources	<u>309,882</u>	<u>494,916</u>	<u>7,810,536</u>	<u>9,501,970</u>	<u>12,831,274</u>
Total Revenues	\$254,576,418	\$243,141,142	\$239,511,136	\$232,021,719	\$219,051,893
EXPENDITURES					
General Fund:					
Instruction	\$92,456,004	\$92,680,377	\$90,360,693	\$88,221,777	\$86,454,283
Undistributed Expenditures	158,899,997	147,360,756	145,281,219	138,652,711	135,405,202
Capital Outlay	<u>4,378,153</u>	<u>3,946,456</u>	<u>4,054,148</u>	<u>3,654,036</u>	<u>3,809,649</u>
Total Expenditures	\$255,734,154	\$243,987,589	\$239,696,060	\$230,528,524	\$225,669,134
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,157,736)	(846,447)	(184,924)	1,493,195	(6,617,241)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	2,845,573	2,206,838	0	1,651,236	1,338,895
Proceeds from Community Disaster Loan	0	0	0	411,148	4,588,852
Non-Federal Cost Share Reimbursement Program proceeds funded by Community Development Block Grant	0	25,022	0	0	0
Transfers In	191,737	112,280	112,280	112,282	152,280
Transfers Out	<u>(455,910)</u>	<u>(455,910)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	2,581,400	1,888,230	112,280	2,174,666	6,080,027
Extraordinary Item - Restitution Funds	7,616	365,782	899,703	589,976	2,280,374
Net Change in Fund Balance	1,431,280	1,407,565	827,059	4,257,837	1,743,160
Fund Balance, July 1	<u>16,993,466</u>	<u>15,585,901</u>	<u>14,758,842</u>	<u>10,501,005</u>	<u>8,757,845</u>
Fund Balance, June 30	<u>\$18,424,746</u>	<u>\$16,993,466</u>	<u>\$15,585,901</u>	<u>\$14,758,842</u>	<u>\$10,501,005</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 several capital leases outstanding with payments due through year ending June 30, 2023, totaling \$6,855,568.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2018, the Board has operating leases outstanding with payments due through year ending June 30, 2021, totaling \$39,993.

Source: Comprehensive Annual Financial Report of the School District

Short-Term Debt

As of June 30, 2018, the Board has no short-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Long-Term Debt

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$5,022,834	\$2,462,778	\$7,485,612
2020	5,992,834	1,952,026	7,944,860
2021	6,192,834	1,767,055	7,959,889
2022	5,967,834	1,561,319	7,529,153
2023	6,197,834	1,354,158	7,551,992
2024	6,340,000	1,140,251	7,480,251
2025	6,565,000	920,881	7,485,881
2026	2,045,000	763,956	2,808,956
2027	2,160,000	674,306	2,834,306
2028	2,280,000	579,431	2,859,431
2029	2,405,000	479,081	2,884,081
2030	760,000	408,506	1,168,506
2031	825,000	368,881	1,193,881
2032	895,000	325,881	1,220,881
2033	970,000	279,256	1,249,256
2034	1,050,000	228,756	1,278,756
2035	1,125,000	184,928	1,309,928
2036	1,190,000	148,756	1,338,756
2037	1,260,000	109,688	1,369,688
2038	1,335,000	67,519	1,402,519
2039	<u>1,410,000</u>	<u>22,913</u>	<u>1,432,913</u>
TOTALS	<u>\$61,989,170</u>	<u>\$15,800,326</u>	<u>\$77,789,496</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” herein). The following is a summation of the Board’s debt limitation as of June 30, 2018:

Average Equalized Real Property Valuation (2016, 2017, and 2018)	\$16,841,670,817
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	\$673,666,833
Less: Bonds and Notes Authorized and Outstanding	<u>61,989,170</u>
Remaining Limitation of Indebtedness	\$611,677,663
Percentage of Net School Debt to Average Equalized Valuation	0.37%

Source: Comprehensive Annual Financial Report of the School District

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INFORMATION REGARDING THE BOROUGH OF BEACHWOOD¹

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

General Information

The Borough is located in the central, eastern part of the County and was founded in 1914 on the Toms River as a summer resort. The Borough was founded by Mr. Bertram Chapman Mayo who had successfully founded four (4) other communities between California and New Jersey (Browns Mills) before he came upon the Borough. The Borough encompasses a land area of 2.8 square miles and is primarily a residential community.

Form of Government

The Borough was originally governed under the Walsh Act commission form of government, which was maintained until the mid-1970s. The Borough is now governed under the Borough form of State 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 members serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle.

Retirement Systems

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

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough’s share of pension costs in 2018, which is based upon the annual billings received from the State, amounted to \$242,462 for PERS and \$395,999 for PFRS.

¹ Source: The Borough, unless otherwise indicated.

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

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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	6,242	5,983	259	4.1%
2017	6,259	5,981	278	4.4%
2016	6,278	5,972	306	4.9%
2015	6,282	5,901	381	6.1%
2014	6,262	5,835	427	6.8%
<u>County</u>				
2018	266,971	255,456	11,515	4.3%
2017	268,234	255,361	12,873	4.8%
2016	267,872	253,889	13,983	5.2%
2015	265,397	248,986	16,411	6.2%
2014	264,480	244,949	19,531	7.4%
<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	\$72,815	\$65,771	\$76,475
Median Family Income	77,007	82,380	94,337
Per Capita Income	29,344	33,312	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>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	11,248	1.84%	597,943	3.71%	9,005,644	2.43%
2010	11,045	6.46	576,567	12.85	8,791,894	4.49
2000	10,375	11.27	510,916	17.94	8,414,350	8.85
1990	9,324	21.30	433,203	25.19	7,730,188	4.96
1980	7,687	75.10	346,038	65.99	7,365,001	2.75

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>
CVS Health Corp	\$3,289,900	0.41%
DCTN3 385 Beachwood NJ LLC	2,875,200	0.36%
Clayton, Lewis M.	2,119,000	0.26%
Town & Country Bakery	1,605,500	0.20%
Lipton, David	1,572,300	0.19%
Moorehouse-Speedwell Ltd Ptnship	1,400,900	0.17%
Rite Aid Corp.	1,380,000	0.17%
Stone Fire Grille LLC	1,157,000	0.14%
Federal National Mortgage Association	1,069,200	0.13%
Milas, Peter & Maria	<u>1,046,500</u>	<u>0.13%</u>
Total	<u>\$17,515,500</u>	<u>2.17%</u>

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

Largest Employers

The largest employers in the Borough for 2017 are listed below:

<u>Name</u>	<u>Approximate Number of Employees</u>
Intermediate South – Toms River School	130
Borough of Beachwood	88
Sand Castle Diner	24
Quick Check Food Mart	18
Rite Aid Pharmacy	12

Source: Borough

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017	\$19,022,154	\$18,646,784	98.03%
2016	18,833,655	18,385,739	97.62%
2015	18,388,302	17,860,771	97.13%
2014	17,953,574	17,378,788	96.80%
2013	17,906,306	17,293,794	96.58%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017	\$100,185	\$367,727	\$467,912	2.46%
2016	87,159	455,548	542,707	2.88%
2015	69,962	461,477	531,439	2.89%
2014	53,999	489,339	543,338	3.03%
2013	47,493	484,307	531,800	2.97%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$285,731
2016	285,731
2015	285,731
2014	285,731
2013	285,731

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2018	\$0.897	\$1.047	\$0.451	\$2.395
2017	0.873	1.027	0.451	2.351
2016R	0.865	1.033	0.434	2.332
2015	0.673	0.796	0.362	1.831
2014	0.674	0.756	0.353	1.783

R: Revaluation

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2018	\$808,464,500	\$902,002,120	89.63%	\$464,248	902,466,368
2017	806,742,000	881,492,570	91.52	463,944	881,956,514
2016R	803,231,600	869,110,149	108.20	521,083	869,631,232
2015	1,002,554,600	872,014,091	114.97	522,121	872,536,212
2014	1,004,086,500	872,587,555	115.07	514,181	873,101,736

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>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	\$808,464,500	\$902,002,120	89.63%	\$464,248	902,466,368
2017	806,742,000	881,492,570	91.52	463,944	881,956,514
2016R	803,231,600	869,110,149	108.20	521,083	869,631,232
2015	1,002,554,600	872,014,091	114.97	522,121	872,536,212
2014	1,004,086,500	872,587,555	115.07	514,181	873,101,736

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	\$1,698,000	\$2,034,000	\$1,800,000	\$1,800,000	\$1,800,000
Miscellaneous Revenues	2,410,405	1,362,372	1,335,973	1,373,218	1,463,036
Receipts from Delinquent Taxes	485,000	445,000	445,000	380,000	400,000
Amount to be Raised by Taxation	<u>6,752,862</u>	<u>6,952,312</u>	<u>7,048,075</u>	<u>7,259,754</u>	<u>7,265,222</u>
Total Revenue:	<u>\$11,346,267</u>	<u>\$10,793,684</u>	<u>\$10,629,048</u>	<u>\$10,812,972</u>	<u>\$10,928,259</u>
<u>Appropriations</u>					
General Appropriations	\$8,060,037	\$8,277,837	\$8,419,362	\$8,538,862	\$8,568,191
Operations (Excluded from CAPS)	164,450	168,349	145,850	133,350	117,125
Deferred Charges and Statutory Expenditures	0	250,000	0	0	0
Capital Improvement Fund	150,000	100,000	50,000	50,000	50,000
Municipal Debt Service	1,999,854	995,164	1,059,527	1,193,665	1,295,596
Reserve for Uncollected Taxes	<u>971,926</u>	<u>1,002,335</u>	<u>954,309</u>	<u>897,095</u>	<u>897,347</u>
Total Appropriations:	<u>\$11,346,267</u>	<u>\$10,793,684</u>	<u>\$10,629,048</u>	<u>\$10,812,972</u>	<u>\$10,928,259</u>

*: Introduced
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.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2017	\$1,848,930	\$1,800,000
2016	1,882,108	1,800,000
2015	2,115,895	2,034,000
2014	1,868,504	1,698,000
2013	1,576,143	1,384,125

Source: Annual Audit Reports of the Borough

Water Utility Operating 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.

<u>Year</u>	<u>Fund Balance - Water Utility Operating Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2017	\$754,593	\$380,467
2016	754,095	375,000
2015	920,651	573,950
2014	1,126,826	539,950
2013	1,392,379	648,283

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt

Serial Bonds	\$4,768,000
Bond Anticipation Notes	8,532,750
Bonds and Notes Authorized but Not Issued	1,743,466
Other Bonds, Notes and Loans	<u>333,429</u>
Total:	\$15,377,645

Regional School District Debt

Serial Bonds	\$3,078,605
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$3,078,605

Self-Liquidating Debt

Serial Bonds	\$3,451,324
Bond Anticipation Notes	4,023,250
Bonds and Notes Authorized but Not Issued	429,634
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$7,904,208

TOTAL GROSS DEBT

\$26,360,458

Less: Statutory Deductions	
General Purpose Debt	\$183,058
Regional School District Debt	3,078,605
Self-Liquidating Debt	<u>7,904,208</u>
Total:	\$11,165,870

TOTAL NET DEBT

\$15,194,587

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2018)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School District	45,835,000	6.72%	3,078,605
Beachwood Sewerage Authority (2017) County (2017)	125,000 477,133,277	100.00% 0.88%	125,000 <u>4,207,758</u>
Net Indirect Debt			\$7,411,363
Net Direct Debt			<u>15,194,587</u>
Total Net Direct and Indirect Debt			<u>\$22,605,950</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$884,201,613
Permitted Debt Limitation (3 1/2%)	30,947,056
Less: Net Debt	<u>15,194,587</u>
Remaining Borrowing Power	<u>\$15,752,469</u>
Percentage of Net Debt to Average Equalized Valuation	1.718%
Gross Debt Per Capita based on 2010 population of 11,045	\$2,387
Net Debt Per Capita based on 2010 population of 11,045	\$1,376

Source: Annual Debt Statement of the Borough

³ Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County. Borough percentage of Regional School District debt is based on Borough's share of total equalized valuation in the Regional School District.

INFORMATION REGARDING THE BOROUGH OF PINE BEACH¹

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

General Information

The Borough is located in the central, eastern part of the County, within two miles of Toms River Township. The Borough encompasses a land area of 0.6 square miles.

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.

Retirement Systems

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

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2018, which is based upon the annual billings received from the State, amounted to \$64,423 for PERS and \$60,465 for PFRS.

¹ Source: The Borough, unless otherwise indicated.

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

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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	1,208	1,164	44	3.6%
2017	1,214	1,164	50	4.1%
2016	1,214	1,159	55	4.5%
2015	1,198	1,143	55	4.6%
2014	1,219	1,134	85	7.0%
<u>County</u>				
2018	266,971	255,456	11,515	4.3%
2017	268,234	255,361	12,873	4.8%
2016	267,872	253,889	13,983	5.2%
2015	265,397	248,986	16,411	6.2%
2014	264,480	244,949	19,531	7.4%
<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	\$95,909	\$65,771	\$76,475
Median Family Income	109,265	82,380	94,337
Per Capita Income	42,876	33,312	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>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	2,168	1.93%	597,943	3.71%	9,005,644	2.43%
2010	2,127	9.08	576,567	12.85	8,791,894	4.49
2000	1,950	-0.20	510,916	17.94	8,414,350	8.85
1990	1,954	8.80	433,203	25.19	7,730,188	4.96
1980	1,796	28.75	346,038	65.99	7,365,001	2.75

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>
Dudeck, William Jr & Laura	\$1,121,200	0.45%
Sobieski, James & Grazia	991,200	0.40%
La Pierre, Inc	893,200	0.36%
Karpinsky, Larry & Dixie	891,800	0.36%
Shirey, Charles & Kristine	886,800	0.36%
Finley, Raymond & Deborah	852,600	0.35%
Kammerman, Peter	821,100	0.33%
Crowell, Gary & Deborah	819,200	0.33%
Canale, Jennie Trustee	809,600	0.33%
Berkeley Holding Corp Et. al.	<u>764,900</u>	<u>0.31%</u>
Total	<u>\$8,851,600</u>	<u>3.59%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017	\$5,668,698	\$5,609,005	98.95%
2016	5,509,089	5,434,150	98.64%
2015	5,331,895	5,240,792	98.29%
2014	5,100,302	4,968,331	97.41%
2013	4,911,915	4,797,788	97.68%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017	\$0	\$46,738	\$46,738	0.82%
2016	\$9,501	\$61,325	\$70,826	1.29%
2015	6,587	85,842	92,429	1.73%
2014	0	129,705	129,705	2.54%
2013	0	113,827	113,827	2.32%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$13,587
2016	13,587
2015	13,587
2014	13,587
2013	13,587

Source: Annual Audit Reports of the Borough

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>	Regional			
	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>
2018	\$0.810	\$1.090	\$0.470	\$2.370
2017	0.780	1.051	0.460	2.291
2016	0.740	1.033	0.457	2.230
2015	0.693	1.003	0.469	2.165
2014r	0.660	0.963	0.456	2.079

r: Reassessment

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

Valuation of Property

<u>Year</u>	Aggregate Assessed Valuation of <u>Real Property</u>	Aggregate True Value of <u>Real Property</u>	Ratio of Assessed to <u>True Value</u>	Assessed Value of <u>Personal Property</u>	Equalized <u>Valuation</u>
2018	\$246,728,300	\$288,807,562	85.43%	\$101,167	\$288,908,729
2017	247,329,700	280,419,161	0.882	103,625	280,522,786
2016	246,490,900	272,636,766	90.41	107,926	272,744,692
2015	245,057,300	267,500,600	91.61	104,402	267,605,002
2014r	244,360,900	275,057,294	88.84	107,338	275,164,632

r: Reassessment

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	\$2,589,000	\$237,118,600	\$0	\$7,020,700	\$0	\$0	\$246,728,300
2017	2,597,100	237,711,900	0	7,020,700	0	0	247,329,700
2016	2,987,900	236,482,300	0	7,020,700	0	0	246,490,900
2015	2,696,100	235,340,500	0	7,020,700	0	0	245,057,300
2014r	3,526,800	233,669,900	0	7,164,200	0	0	244,360,900

r: Reassessment

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$286,192	\$225,000	\$300,000	\$200,000	\$225,000
Miscellaneous Revenues	409,938	408,033	394,770	447,298	469,959
Receipts from Delinquent Taxes	114,000	129,000	126,000	65,000	46,500
Amount to be Raised by Taxation	<u>1,612,908</u>	<u>1,699,480</u>	<u>1,825,329</u>	<u>1,930,258</u>	<u>1,994,054</u>
Total Revenue:	<u>\$2,423,038</u>	<u>\$2,461,513</u>	<u>\$2,646,099</u>	<u>\$2,642,556</u>	<u>\$2,735,513</u>
<u>Appropriations</u>					
General Appropriations	\$1,607,500	\$1,494,225	\$1,778,617	\$1,634,550	\$1,894,477
Operations (Excluded from CAPS)	78,274	183,964	200,103	109,596	124,712
Deferred Charges and Statutory Expenditures	205,155	228,035	13,479	210,690	8,429
Judgments	0	0	0	0	0
Capital Improvement Fund	10,850	15,000	29,500	27,000	50,500
Municipal Debt Service	362,859	390,289	499,400	560,720	557,395
Reserve for Uncollected Taxes	<u>158,400</u>	<u>150,000</u>	<u>125,000</u>	<u>100,000</u>	<u>100,000</u>
Total Appropriations:	<u>\$2,423,038</u>	<u>\$2,461,513</u>	<u>\$2,646,099</u>	<u>\$2,642,556</u>	<u>\$2,735,513</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.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$326,685	\$225,000
2016	290,883	200,000
2015	470,851	300,000
2014	326,276	225,000
2013	385,877	286,192

Source: Annual Audit Reports of the Borough

Water 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 Utility Operating Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Water Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2017	\$87,104	\$41,985
2016	86,590	15,365
2015	44,205	6,880
2014	31,928	9,140
2013	33,026	13,750

Source: Annual Audit Reports of the Borough

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 Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Sewer Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2017	\$63,937	\$56,650
2016	73,827	54,300
2015	62,941	16,625
2014	54,993	19,339
2013	76,683	26,863

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt

Serial Bonds	\$555,534
Bond Anticipation Notes	1,717,100
Bonds and Notes Authorized but Not Issued	1,010,349
Other Bonds, Notes and Loans	<u>1,702,738</u>
Total:	\$4,985,720

Regional School District Debt

Serial Bonds	\$977,064
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$977,064

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	612,500
Bonds and Notes Authorized but Not Issued	172,750
Other Bonds, Notes and Loans	<u>997,095</u>
Total:	\$1,782,345

TOTAL GROSS DEBT

\$7,745,129

Less: Statutory Deductions

General Purpose Debt	\$0
Regional School District Debt	977,064
Self-Liquidating Debt	<u>1,782,345</u>
Total:	\$2,759,409

TOTAL NET DEBT

\$4,985,720

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2018)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School District	\$58,639,170	1.67%	\$977,064
County	486,423,834	0.28%	<u>1,373,269</u>
Net Indirect Debt			\$2,350,333
Net Direct Debt			<u>4,985,720</u>
Total Net Direct and Indirect Debt			<u>\$7,336,053</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$280,621,163
Permitted Debt Limitation (3 1/2%)	9,821,741
Less: Net Debt	<u>4,985,720</u>
Remaining Borrowing Power	<u>\$4,836,020</u>
Percentage of Net Debt to Average Equalized Valuation	1.777%
Gross Debt Per Capita based on 2010 population of 2,127	\$3,641
Net Debt Per Capita based on 2010 population of 2,127	\$2,344

Source: Annual Debt Statement of the Borough

³ Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County. Borough percentage of Regional School District debt is based on Borough's share of total equalized valuation in the Regional School District.

INFORMATION REGARDING THE BOROUGH OF SOUTH TOMS RIVER¹

The following material presents certain economic and demographic information of the Borough of South Toms River (the “Borough”), in the County of Ocean (the “County”), State of New Jersey (the “State”).

General Information

The Borough is located in the central portion the County, in the eastern sector of the Pinelands Area.

The Borough has a total land area of 1.2 square miles (768 acres) of which 0.75 square miles lies within the Pinelands Area. All lands in the Borough west of the Garden State Parkway are within the Pinelands Area.

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.

Retirement Systems

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

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough’s share of pension costs in 2018, which is based upon the annual billings received from the State, amounted to \$63,277 for PERS and \$205,811 for PFRS.

¹ Source: The Borough, unless otherwise indicated.

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

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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	1,693	1,592	101	6.0%
2017	1,698	1,591	107	6.3%
2016	1,727	1,592	135	7.8%
2015	1,704	1,559	145	8.5%
2014	1,722	1,548	174	10.1%
<u>County</u>				
2018	266,971	255,456	11,515	4.3%
2017	268,234	255,361	12,873	4.8%
2016	267,872	253,889	13,983	5.2%
2015	265,397	248,986	16,411	6.2%
2014	264,480	244,949	19,531	7.4%
<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	\$62,500	\$65,771	\$76,475
Median Family Income	67,344	82,380	94,337
Per Capita Income	18,859	33,312	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>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	3,772	2.39%	597,943	3.71%	9,005,644	2.43%
2010	3,684	1.38	576,567	12.85	8,791,894	4.49
2000	3,634	-6.07	510,916	17.94	8,414,350	8.85
1990	3,869	-2.15	433,203	25.19	7,730,188	4.96
1980	3,954	-0.68	346,038	65.99	7,365,001	2.75

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</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Lighthouse Point Marina & Yacht Club	\$3,717,700	1.67%
1 River Place, LLC	3,411,500	1.53%
530 LLC	2,322,200	1.04%
Moros, Zack Sr. & Roula	1,760,100	0.79%
Lorlin Realty Inc.	1,636,300	0.74%
Legend Realty Associates, Inc	1,355,500	0.61%
Tradewinds Marina	993,800	0.45%
RBC-NJ Properties LLC	901,300	0.40%
Boynton, Susan	897,700	0.40%
Storage Mall Toms River, LLC	<u>870,000</u>	<u>0.39%</u>
Total	<u>\$17,866,100</u>	<u>8.03%</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</u> <u>Collection</u>	<u>Current Year</u> <u>% of Collection</u>
2018U	\$6,542,779	\$6,345,281	96.98%
2017	6,338,509	6,135,359	96.79%
2016	6,185,377	6,010,081	97.17%
2015	5,943,841	5,674,371	95.47%
2014	5,766,765	5,413,165	93.87%

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>	<u>% of Tax Levy</u>
2018U	\$853	\$200,017	\$200,870	3.07%
2017	736	190,338	191,075	3.01%
2016	622	161,630	162,252	2.62%
2015	510	210,643	211,153	3.55%
2014	423	315,688	316,110	5.48%

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	\$603,100
2017	603,100
2016	603,100
2015	603,100
2014	603,100

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>Regional</u>			<u>Total</u>
	<u>Municipal</u>	<u>School</u>	<u>County</u>	
2018	\$1.529	\$0.956	\$0.418	\$2.903
2017	1.485	0.958	0.420	2.863
2016R	1.430	0.950	0.414	2.794
2015	1.089	0.751	0.343	2.183
2014	1.050	0.710	0.341	2.101

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2018	\$222,333,600	\$237,688,262	93.54%	\$241,981	\$237,930,243
2017	220,633,200	222,816,805	99.02	243,159	223,059,964
2016R	220,251,700	221,692,703	99.35	251,921	221,944,624
2015	271,377,300	222,094,525	122.19	255,784	222,350,309
2014	273,997,800	226,856,930	120.78	257,730	227,114,660

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	\$3,289,400	\$185,021,200	\$0	\$33,748,400	\$274,600	\$0	\$222,333,600
2017	3,745,800	185,414,100	0	31,198,700	274,600	0	220,633,200
2016R	3,852,100	183,743,500	0	32,381,500	274,600	0	220,251,700
2015	5,054,300	228,415,100	0	37,542,700	365,200	0	271,377,300
2014	5,167,900	230,677,800	0	37,786,900	365,200	0	273,997,800

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	\$425,000	\$460,000	\$601,000	\$625,000	\$633,000
Miscellaneous Revenues	543,619	643,213	603,600	686,008	899,958
Receipts from Delinquent Taxes	285,571	208,042	158,768	185,598	191,167
Amount to be Raised by Taxation	<u>2,957,371</u>	<u>3,152,537</u>	<u>3,280,390</u>	<u>3,403,047</u>	<u>3,495,170</u>
Total Revenue:	<u>\$4,211,560</u>	<u>\$4,463,792</u>	<u>\$4,643,758</u>	<u>\$4,899,653</u>	<u>\$5,219,295</u>
<u>Appropriations</u>					
General Appropriations	\$3,239,147	\$3,278,544	\$3,462,607	\$3,487,090	\$3,531,319
Operations (Excluded from CAPS)	188,468	225,428	175,051	242,177	233,799
Deferred Charges and Statutory Expenditures	0	15,000	226,890	15,873	15,000
Judgments	0	0	0	0	0
Capital Improvement Fund	40,000	142,500	25,000	15,000	15,000
Municipal Debt Service	272,380	307,726	246,488	619,092	895,084
Reserve for Uncollected Taxes	<u>471,566</u>	<u>494,594</u>	<u>507,722</u>	<u>520,422</u>	<u>529,093</u>
Total Appropriations:	<u>\$4,211,560</u>	<u>\$4,463,792</u>	<u>\$4,643,758</u>	<u>\$4,899,653</u>	<u>\$5,219,295</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.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018U	\$1,207,846	\$633,000
2017	1,030,646	625,000
2016	967,865	601,000
2015	675,874	460,000
2014	560,869	425,000

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	4,366,268
Bonds and Notes Authorized but Not Issued	408,883
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$4,775,151

Regional School District Debt

Serial Bonds	\$791,757
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$791,757

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$5,566,908

Less: Statutory Deductions

General Purpose Debt	\$279,935
Regional School District Debt	791,757
Self-Liquidating Debt	<u>0</u>
Total:	\$1,071,691

TOTAL NET DEBT

\$4,495,216

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2018)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School District	\$58,639,170	1.35%	\$791,757
County	486,423,834	0.23%	<u>1,130,953</u>
Net Indirect Debt			\$1,922,709
Net Direct Debt			<u>4,495,216</u>
Total Net Direct and Indirect Debt			<u>\$6,417,926</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$227,399,257
Permitted Debt Limitation (3 1/2%)	7,958,974
Less: Net Debt	<u>4,495,216</u>
Remaining Borrowing Power	<u>\$3,463,758</u>
Percentage of Net Debt to Average Equalized Valuation	1.977%
Gross Debt Per Capita based on 2010 population of 3,684	\$1,511
Net Debt Per Capita based on 2010 population of 3,684	\$1,220

Source: Annual Debt Statement of the Borough

³ Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County. Borough percentage of Regional School District debt is based on Borough's share of total equalized valuation in the Regional School District.

INFORMATION REGARDING THE TOWNSHIP OF TOMS RIVER¹

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

General Information

The Township, formerly the Township of Dover, officially changed its name on November 14, 2006. The historic area of the Township serves as the county seat. The Township, which was first settled in 1624, is located in the east central area of the state, 70 miles from New York City and 60 Miles from Philadelphia.

Also located within the Township are the oceanfront communities of Ocean Beach, Chadwick Beach, Ortleigh Beach and Normandy Beach.

The Township covers a total of 44 square miles, including 25 miles of waterfront properties.

Form of Government

Effective January 1, 2004, the Township successfully changed to a Mayor-Council form of government pursuant to the Optional Municipal Charter Law. The Township now has a Mayor elected for a 4-year term and 7 members of Council. The Township has been divided into 4 wards. There is a Councilperson representing each ward for 4-year terms, and 3 Councilpersons at large serving for 4-year terms.

Retirement Systems

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

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2018,

¹ Source: The Township, unless otherwise indicated.

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

which is based upon the annual billings received from the State, amounted to \$2,965,726 for PERS and \$4,772,000 for PFRS.

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2018	48,246	46,293	1,953	4.0%
2017	48,413	46,276	2,137	4.4%
2016	48,189	45,830	2,359	4.9%
2015	47,515	44,715	2,800	5.9%
2014	47,528	44,270	3,258	6.9%
<u>County</u>				
2018	266,971	255,456	11,515	4.3%
2017	268,234	255,361	12,873	4.8%
2016	267,872	253,889	13,983	5.2%
2015	265,397	248,986	16,411	6.2%
2014	264,480	244,949	19,531	7.4%
<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>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$76,051	\$65,771	\$76,475
Median Family Income	92,604	82,380	94,337
Per Capita Income	37,883	33,312	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 Township, the County, and the State.

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	91,415	0.19%	595,470	3.28%	9,005,644	2.43%
2010	91,239	1.71	576,567	12.85	8,791,894	4.49
2000	89,706	17.46	510,916	17.94	8,414,350	8.85
1990	76,371	18.49	433,203	25.19	7,730,188	4.96
1980	64,455	47.32	346,038	65.99	7,365,001	2.75

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2018</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
CPI @ Simon Property Group LP	\$135,000,000	1.04%
Fairways at Bey Lea LLC	55,000,000	0.43%
BASF Corporation	42,000,000	0.32%
SDD Inc. @ D. Donofrio	39,000,000	0.30%
J&I Realty Assoc. LLC @ AAC Mgt.	31,654,300	0.24%
Seacourt Pavilion LLC	30,000,000	0.23%
East Coast Holiday on the Bay LLC	26,640,000	0.21%
S/K Bey Lea Associates I LLC	19,750,000	0.15%
I256 IHR Associates, LLC	18,733,100	0.14%
Dover Parkade LLC @ Paramount Rlty.	<u>17,500,000</u>	<u>0.14%</u>
Total	<u>\$415,277,400</u>	<u>3.21%</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</u> <u>Collection</u>	<u>Current Year</u> <u>% of Collection</u>
2018U	\$306,166,073	\$299,604,169	97.86%
2017	302,723,661	296,410,794	98.04%
2016	291,569,688	285,868,773	97.88%
2015	277,610,168	271,732,211	97.82%
2014	261,260,304	255,561,780	97.66%

U: Unaudited

Source: Annual Audit Reports of the Township 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>	<u>% of Tax Levy</u>
2018U	\$353,623	\$5,148,181	\$5,501,804	1.80%
2017	297,296	5,236,520	5,533,816	1.83%
2016	244,129	5,176,201	5,420,329	1.86%
2015	181,191	5,267,851	5,449,042	1.96%
2014	150,791	5,259,930	5,410,720	2.07%

U: Unaudited
Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2018U	\$3,725,230
2017	3,725,230
2016	3,725,230
2015	4,342,675
2014	4,345,000

U: Unaudited
Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Regional</u>		<u>Total</u>
		<u>School</u>	<u>County</u>	
2018	\$0.650	\$1.145	\$0.493	\$2.288
2017	0.649	1.123	0.497	2.269
2016	0.648	1.083	0.481	2.212
2015r	0.471	1.044	0.612	2.127
2014	0.584	1.014	0.430	2.028

r: Reassessment
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	\$12,900,040,060	\$15,814,686,846	81.57%	\$24,247,300	\$15,838,934,146
2017	12,840,926,260	15,393,102,685	83.42	25,443,566	15,418,546,251
2016	12,672,646,060	15,140,556,822	83.70	26,971,616	15,167,528,438
2015r	12,524,602,960	14,432,591,565	86.78	27,838,781	14,460,430,346
2014	12,429,069,960	14,056,853,608	88.42	31,248,058	14,088,101,666

r: Reassessment

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	\$335,187,800	\$10,318,819,600	\$4,005,500	\$1,936,020,660	\$63,909,100	\$242,097,400	\$12,900,040,060
2017	382,031,000	10,194,395,800	3,480,000	1,954,108,360	63,576,500	243,334,600	12,840,926,260
2016	451,527,200	9,992,769,100	5,110,800	1,919,987,860	64,091,500	239,159,600	12,672,646,060
2015r	536,539,400	9,748,612,200	5,094,200	1,928,808,960	64,091,500	241,456,700	12,524,602,960
2014	198,653,600	9,992,190,300	5,867,400	1,943,389,060	64,694,600	224,275,000	12,429,069,960

r: Reassessment

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$13,000,000	\$12,463,000	\$16,900,000	\$17,000,000	\$19,000,000
Miscellaneous Revenues	33,467,116	27,290,531	21,314,595	20,978,656	24,279,018
Receipts from Delinquent Taxes	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Amount to be Raised by Taxation	<u>74,997,968</u>	<u>80,392,772</u>	<u>81,559,694</u>	<u>82,089,203</u>	<u>82,690,095</u>
Total Revenue:	<u>\$126,265,083</u>	<u>\$124,946,304</u>	<u>\$124,574,289</u>	<u>\$124,867,859</u>	<u>\$130,769,113</u>
<u>Appropriations</u>					
General Appropriations	\$80,515,769	\$89,581,238	\$91,375,851	\$92,334,747	\$97,124,562
Operations (Excluded from CAPS)	14,148,813	6,755,219	3,950,777	5,333,094	4,258,400
Deferred Charges and Statutory Expenditures	9,045,372	4,059,340	3,559,340	1,125,000	770
Judgments	0	0	0	0	0
Capital Improvement Fund	880,000	1,440,000	450,000	550,000	870,000
Municipal Debt Service	12,162,303	13,011,064	14,776,325	14,448,788	17,465,775
Reserve for Uncollected Taxes	<u>9,512,827</u>	<u>10,099,442</u>	<u>10,461,995</u>	<u>10,826,969</u>	<u>11,049,606</u>
Total Appropriations:	<u>\$126,265,083</u>	<u>\$124,946,304</u>	<u>\$124,574,289</u>	<u>\$124,618,598</u>	<u>\$130,769,113</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2018U	\$30,853,379	\$19,000,000
2017	32,322,481	17,000,000
2016	29,373,914	16,900,000
2015	17,237,978	12,463,000
2014	18,197,884	13,000,000

U: Unaudited
Source: Annual Audit Reports of the Township and 2018 Annual Financial Statement

Golf Utility Operating Fund

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

Fund Balance - Golf Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018U	\$337,721	\$295,324
2017	433,632	267,390
2016	545,813	266,675
2015	398,341	224,998
2014	345,422	163,300

U: Unaudited

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

Ice Rink Utility Operating Fund

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

Fund Balance - Ice Rink Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018U	\$304,153	\$229,085
2017	313,215	183,570
2016	388,766	161,700
2015	275,084	117,200
2014	324,294	49,250

U: Unaudited

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

Township Indebtedness as of December 31, 2018

General Purpose Debt

Bonds Notes and Loans Issued	\$79,902,000
Bond Anticipation Notes	29,145,255
Bonds and Notes Authorized but Not Issued	46,825,479
Other Bonds, Notes and Loans	<u>173,564</u>
Total:	\$156,046,298

Regional School District Debt

Serial Bonds	\$53,791,745
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$53,791,745

Self-Liquidating Debt

Bonds Notes and Loans Issued	\$1,030,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	720,540
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$1,750,540

TOTAL GROSS DEBT

\$211,588,582

Less: Statutory Deductions

General Purpose Debt	\$4,518,531
Regional School District Debt	53,791,745
Self-Liquidating Debt	<u>1,750,540</u>
Total:	\$60,060,815

TOTAL NET DEBT

\$151,527,767

Source: Audited Financials of the Township

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Overlapping Debt (as of December 31, 2018)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Regional School District	\$58,639,170	91.73%	\$53,791,745
County	486,423,834	15.48%	<u>75,287,145</u>
Net Indirect Debt			\$129,078,890
Net Direct Debt			<u>151,527,767</u>
Total Net Direct and Indirect Debt			<u>\$280,606,657</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$15,015,501,678
Permitted Debt Limitation (3 1/2%)	525,542,559
Less: Net Debt	<u>151,527,767</u>
Remaining Borrowing Power	<u>\$374,014,792</u>
Percentage of Net Debt to Average Equalized Valuation	1.009%
Gross Debt Per Capita based on 2010 population of 91,239	\$2,319
Net Debt Per Capita based on 2010 population of 91,239	\$1,661

Source: Audited Financials of the Township

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

APPENDIX B

**FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE TOMS RIVER
REGIONAL SCHOOL DISTRICT**

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Independent Auditors' Report

Honorable President and Members
of the Board of Education
Toms River Regional School District
Toms River, New Jersey
County of Ocean

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 Toms River Regional School District, County of Ocean, New Jersey (the "District"), 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and requirements 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

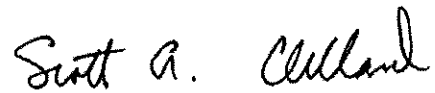
As discussed in Note 1.R. to the basic financial statements, during the fiscal year ended June 30, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principle. As discussed in Note 23 to the basic financial statements, as of July 1, 2017, the District's net position was restated to reflect the impact of the change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of funding progress – Post Employment Healthcare Benefit Plan, schedule of employer contributions – Post Employment Healthcare Benefit Plan, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District pension contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF, schedule of the State's proportionate share of the net OPEB liability associated with the District and changes in the total OPEB liability and related ratios-PERS and TPAF, schedule of the changes in net OPEB liability-District plan, schedule of District OPEB contributions-District Plan, and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

Livingston, New Jersey
February 15, 2019

Toms River Regional School District
Toms River, New Jersey

Management's Discussion and Analysis
Year ended June 30, 2018

The discussion and analysis of the Toms River Regional School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements, notes and additional information in the transmittal letter to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current year and the prior year is presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Total net position of the governmental activities and business-type activities is \$8,690,745 at June 30, 2018. It is comprised of both current and capital assets and deferred outflows of resources less deferred inflow of resources and current and outstanding long-term liabilities (Schedule A-1).
- The District transferred unassigned fund balance in June of 2018 into the restricted reserve for maintenance in the amount of \$2,500,000.
- The District issued school energy savings obligations refunding bonds, series 2017 in the amount of \$16,710,000.
- The District implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2018 fiscal year resulting in the recording of revenue and expense in the amount of \$35,164,015 related to post-employment health benefits paid by the state on behalf of The District.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the Toms River Regional School District as a financial whole, an entire operating entity. The statements then proceed to offer an increasingly detailed look at specific financial activities. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The three components of the District's basic financial statements are: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The CAFR also contains required and other supplementary information in addition to the basic financial statements.

Reporting the School District as a Whole

Government-wide Statements

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the entire School district and are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. The change in net position is important because it informs the reader that, for the School District as a whole, the financial position of the School District has improved or worsened. The causes of the change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility conditions, and required educational programs to cite just a few. In the *Statement of Net Position* and the *Statement of Activities*, the District is divided into two distinct types of activities:

- Governmental activities - All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type activities - Programs reported here are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the District is that the costs of providing goods and services be financed through user charges.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Reporting the District's Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

The 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) that arise between governmental activities (as reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund, and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund, and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general, and special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 through 20 of this report.

Proprietary Funds

The District maintains a proprietary fund type in the form of five enterprise funds. The enterprise funds are used to report business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service program, corporate center, day care center, and two athletic complexes which are also considered to be major funds of the District.

The basic enterprise funds financial statements can be found on pages 21 through 23 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District utilizes a long established unemployment compensation trust fund to account for contributions from the District and employees to reimburse the State of New Jersey for the cost of approved unemployment compensation claims.

The District uses separate and distinct agency funds to account for resources held for student activity groups and class funds as well as for payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26 to 71 of this report.

The School District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The District's financial position is the product of varied financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary of the District's net position at June 30, 2018 and 2017:

Toms River Regional School District Net Position June 30,

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 41,619,020	\$ 2,8575,728	\$ 44,007,258	\$ 21,712,275	\$ 2,906,367	\$ 24,618,642
Capital assets, net	152,117,168	8,997,956	161,115,124	155,638,797	8,810,878	164,449,675
Total assets	193,248,698	11,873,684	205,122,382	177,351,072	11,717,245	189,068,317
Deferred outflows of resources:						
Deferred loss on refunding of debt	2,515,899		2,515,899	2,871,087		2,871,087
Pension deferrals	25,858,024		25,858,024	36,939,417		36,939,417
Total deferred outflows of resources	28,373,923		28,373,923	39,810,504		39,810,504
Liabilities:						
Current liabilities	31,534,834	391,039	31,925,873	31,379,748	217,858	31,597,606
Net pension liability	90,355,186		90,355,186	120,038,158		120,038,158
Long-term liabilities	80,092,371	88,167	80,180,538	63,988,366	130,127	64,118,493
Total liabilities	201,982,391	479,206	202,461,597	215,406,272	347,985	215,754,257
Deferred inflow of resources:						
Pension deferrals	22,343,963		22,343,963	1,573,639		1,573,639
Net position:						
Net investment in capital assets	99,813,914	8,997,956	108,811,870	100,138,595	8,810,878	108,949,473
Restricted for excess surplus-current year	590,534		590,534	1,573,524		1,573,524
Restricted for excess surplus-prior year	1,573,524		1,573,524	159,120		159,120
Restricted for capital reserve	5,206,098		5,206,098	5,847,517		5,847,517
Restricted for maintenance reserve	7,196,820		7,196,820	6,687,720		6,687,720
Restricted for emergency reserve	709,865		709,865	707,415		707,415
Restricted for capital projects	143,314		143,314			
Unrestricted (deficit)	(117,937,802)	2,396,522	(115,541,280)	(114,932,226)	2,558,382	(112,373,844)
Total net position	\$ (2,703,733)	\$ 11,394,478	\$ 8,690,745	\$ 181,665	\$ 11,369,260	\$ 11,550,925

Unrestricted deficit increased \$7,354,482 relating to governmental activities as compared to the prior year, mainly as a result of increases in current year expenses and liabilities.

The largest portion of the District's net position is its net investment in capital assets (e.g., land and land improvements, buildings and building improvements and machinery and equipment) less any related debt (general obligation bonds, capital leases and notes payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position increased \$444,869 mainly due to an increase to the maintenance reserve in the amount of \$509,100 offset by the decrease in the capital reserve.

Current and other assets increased mainly due to increases to restricted cash for Energy Savings Obligation Refunding Bonds.

Capital assets, net decreased as current year depreciation expense and disposals and transfers exceeded current year capital asset additions.

Long-term liabilities increased mainly due to the increase in bonds payable due to the new energy savings obligation bond, as well as the other post-employment retirement benefits liability, which is the result of the implementation of GASB Statement No. 75.

The net pension liability recorded as of June 30, 2018 is the result of the District following GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68 whereby the unfunded net pension liability continues to grow as the State of New Jersey continues to under-fund the pension system.

Government-wide activities. The key elements of the District's changes in net position for the years ended June 30, 2018 and 2017 are as follows:

**Toms River Regional School District
Changes in Net Position
Year ended June 30,**

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for services	\$ 1,401,745	\$ 4,636,184	\$ 6,037,929	\$ 1,524,208	\$ 4,602,364	\$ 6,126,572
Operating grants and contributions	7,889,330	2,217,811	10,107,141	7,941,100	2,311,619	10,252,719
Capital grants and contributions	241,092		241,092	78,082		78,082
General Revenues:						
Property Taxes	157,529,469		157,529,469	150,609,021		150,609,021
Federal and state aid not restricted to specific purposes	168,480,782		168,480,782	138,865,669		138,865,669
Earning on Investments	161,918	955	162,873	28,209	975	29,184
Miscellaneous	1,537,832		1,537,832	1,065,489		1,065,489
Total Revenues	337,242,168	6,854,950	344,097,118	300,111,778	6,914,958	307,026,736
Expenses:						
Instruction and support services	337,238,325	6,721,452	343,959,777	310,821,044	6,605,479	317,426,523
Special schools	64,173		64,173	65,624		65,624
Cost of issuance	121,402		121,402	35,641		35,641
Interest on long-term debt	2,819,562		2,819,562	1,590,563		1,590,563
Total expenses	340,243,462	6,721,452	346,964,914	312,512,872	6,605,479	319,118,351
Change in net position before transfers, special items, and extraordinary item	(3,001,294)	133,498	(2,867,796)	(12,401,094)	309,479	(12,091,615)
Transfers	108,280	(108,280)	-	112,280	(112,280)	-
Special item				5,000,000		5,000,000
Extraordinary item	7,616		7,616	365,782		365,782
Change in Net Position	(2,885,398)	25,218	(2,860,180)	(6,923,032)	197,199	(6,725,833)
Net Position-beginning	181,665	11,369,260	11,550,925	7,104,697	11,172,061	18,276,758
Net Position-ending	\$ (2,703,733)	\$ 11,394,478	\$ 8,690,745	\$ 181,665	\$ 11,369,260	\$ 11,550,925

Tax levy increased due to the increase in the taxable ratables and the tax rate.

Federal and State aid not restricted to specific purposes increased as a result of the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required the District to record approximately \$26.3 million in revenues, which were contributions on-behalf of the District by the State for post-employment benefits. This was offset by a decrease in the on-behalf TPAF pension, disability, and medical contributions required under GASB Statement Nos. 68 and 71.

Instruction and support services expenses increased as a result of the District implementing new curriculums and as a result, there was an increase in various instruction line items, such as general supplies and salaries. In addition, approximately \$26.3 million in expenditures were reported for contributions made on-behalf of the District by the State for post-employment benefits due to the implementation of GASB 75. This was offset by a decrease in the on-behalf TPAF pension, disability, and medical contributions required under GASB Statement Nos. 68 and 71.

Interest on long-term debt has increased from the prior year as a result of increased overall debt, therefore, the related interest has increased.

The special item in the prior year was related to the cancellation of the Community Disaster Loan liability, therefore, this was not applicable in the current year.

The extraordinary item is restitution the District received relating to a prior year court order.

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for District operations. Property taxes made up approximately 51 percent of revenues for governmental activities in the Toms River Regional School District for fiscal year 2018. Federal, state, and local grants and aid accounted for another 48 percent of revenue. The balance of revenues generated from tuition and transportation revenue, investment income and other miscellaneous unrestricted sources comprised approximately 1 percent of the total governmental revenues.

The total cost of all programs and services was \$313,899,439. Instruction comprised 99 percent of District expenses. Instructional expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities. It is important to note that additional instructional costs are included with support services, which is in conformity with New Jersey Budget Guidelines.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Business-Type Activities

Revenues for the District's business-type activities were comprised of charges for services, day care tuition, ticket sales, rental income, and federal and state reimbursements. Charges for services comprised approximately 68 percent of total revenue. This represents revenue recognized in the amount of \$2,006,216, or 43 percent, for amounts paid by patrons for daily food service. Day care tuition revenue was \$749,195, or 16 percent, of operating revenue and represents payments for daycare tuition. Rental income for the Corporate Center's rental agreements was \$933,800, or 20 percent, of operating revenue that was recognized from renting office suites at the property located at 1144 Hooper Avenue, Toms River, N.J. The Bennett Complex and RWJ Barnabas Health Arena recognized \$410,492 and \$536,481, respectively, or 9 and 12 percent of total operating revenue for various events and activities at the respective complexes. Additionally, federal and state reimbursements for meals, including payments for

free and reduced-priced lunch and breakfast and donated commodities amounted to \$2,217,811 in non-operating revenue.

Financial Analysis of the District's Funds

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements.

General Fund. The general fund is the main operating fund of the District. At the end of the current fiscal year, the total fund balance was \$18,424,746, including funds restricted for capital, maintenance and emergency reserves in the amount of \$13,112,783. \$590,534 has been generated in current year excess surplus. \$1,573,524 of prior year excess surplus has been designated for subsequent year's expenditures. The remaining amount of \$226,476 represents the balance designated for subsequent year's expenditures and \$1,157,955 has been assigned as additional fund balance designated for subsequent year's expenditures as the result of the 2018-19 state aid reduction. \$3,003,551 was designated for encumbrances offset by a general fund unassigned deficit of \$2,921,429 (unassigned fund balance netted with the delayed state aid payments) resulting in the \$1,763,474 balance assigned to other purposes.

Special Revenue Fund. The special revenue fund is used to track the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes, other than debt service or capital projects. Revenue and expenditures for the current fiscal year increased by \$115,240 attributable mostly to an increase in federal and local grants expended. IDEA continues to be the largest grant in the special revenue fund, with expenditures in the current fiscal year of \$3,793,271.

Capital Projects Fund. The District uses the capital projects fund to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds and trust funds). During the current fiscal year, the District issued \$16,710,000 in ESIP refunding bonds and expended \$685,870 for architectural and engineering services.

Debt Service Fund. The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The fund balance in the debt service fund is \$84,167, which is attributable to the funds generated as result of prior years refundings of debt.

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 schedule below presents a summary of the revenues of the General Fund, Special Revenue Fund and Debt Service Fund for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase (Decrease) from 2017	Percent of Increase (Decrease)
Local sources	\$ 160,918,784	59.9%	\$ 7,331,383	4.8%
State sources	100,499,530	37.4	4,173,396	4.3
Federal sources	7,254,486	2.7	(43,391)	(0.6)
Total	\$ 268,672,800	100.0%	\$ 11,461,388	8.5%

Local sources increased primarily relating to the increase in the tax levy. In the prior year, the District had a reduction in tax ratables that resulted from Super Storm Sandy, but as the District recovered from these losses, the tax levy increased.

State sources increased due mainly to the increase in the on-behalf pension, disability, and medical contributions that were made by the State in fiscal year 2018.

Federal sources in the current year remained comparable to the prior year.

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2017	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 98,261,574	36.4%	\$ 524,083	0.1 %
Support services	158,871,248	58.8	9,706,948	6.5
Special schools	31,795	0.0	(481)	(1.5)
Capital outlay	4,619,545	1.7	595,007	14.8
Debt service:				
Principal	6,812,156	2.5	2,139,322	45.8
Interest	1,686,469	0.6	(60,370)	16.6
Total	\$270,282,487	100.0%	\$ 12,904,509	4.76 %

Current expenditures reflect an overall increase attributable to normal operational increases in the areas of salaries, health benefits, textbooks and supplies, as the District engaged in various curriculum changes and improvements during the year. Interest expenditures were increased due to additional debt in the current year and prior year refundings which delay payments which came due in the current year.

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey statutes. The most significant budgeted fund is the General Fund. During the fiscal year, there were several differences between the original budget and the final amended budget as a result of transfers being applied to certain line items. These transfers were made between line items as part of the normal process as permitted by State guidelines. Readers should refer to Section C of the financial report for comparisons between actual and budgeted amounts. None of these transfers were significant.

Described below are explanations for variations in revenues and expenditures for certain lines where the modified budgeted amounts differ from the actual by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed required.

Revenues

- Actual tuition from other LEAs within the state was in excess of the modified budget by \$627,656 or 147% as a result of the District budgeting conservatively for homeless tuition as this amount varies widely from year to year.
- Actual miscellaneous revenue was in excess of the modified budget by \$629,020 or 153% as a result of significantly increased amount of general and payroll account interest earned than anticipated in addition to a larger amount of E-rate reimbursements than what was budgeted.
- Actual extraordinary aid was in excess of the modified budget by \$725,963 or 97% as a result of the fact that the final award amount is calculated by the State of New Jersey and is not required to be budgeted for.

Capital Assets

At the end of the fiscal year 2018, the District had \$161,115,124 invested in land, land improvements, building and building improvements and machinery and equipment, net of accumulated depreciation. The following presents a comparison of capital assets, net of depreciation, held at June 30, 2018 and 2017:

	Capital Assets (Net of Depreciation)			
	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Land	\$ 5,368,923	\$ 5,368,923	\$ 1,421,600	\$ 1,421,600
Land improvements	4,982,515	5,936,141	281,501	117,853
Building and building improvements	135,011,995	139,468,274	6,891,706	6,872,582
Machinery and equipment	6,753,735	4,865,459	403,149	398,843
Total	\$152,117,168	\$155,638,797	\$ 8,997,956	\$ 8,810,878

For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration and Long-Term Liabilities

At June 30, 2018, the District had \$178,233,519 of outstanding debt and other long-term liabilities, of which \$7,775,962 was classified as the current portion.

At June 30, 2018 and 2017, the District's long-term liabilities consisted of:

	<u>2018</u>	<u>2017</u>
Bonds payable	\$61,075,000	\$49,080,000
Other post-employment benefits payable	3,231,183	3,718,675
Unamortized premium on bonds	2,684,415	1,554,395
Notes payable	914,170	1,097,004
Deferred pension obligation	776,417	842,878
Capital leases payable	6,855,568	6,639,890
Compensated absences payable	12,331,580	12,739,096
Net pension liability	90,355,186	120,038,158
Total long-term liabilities	<u>\$178,223,519</u>	<u>\$191,991,421</u>

The District issued School Energy Savings Obligations Refunding Bonds in the amount of \$16,710,000 in the current year. For more detailed information, please refer to Note 5 to the basic financial statements.

The District recorded a liability for other-post employment benefits under GASB Statement No. 75. In the prior year based on the GASB Statement No. 45 valuation, the District was in an overfunded position and recorded an asset. Refer to Note 23 to the basic financial statements.

The net pension liability has decreased based on the actuarial valuation of the District's portion of the state pension liability.

For the Future

The fiscal outlook in the near term is a concern for most school districts. The District is subject to the tax cap limitation of 2 percent. This limit to raise additional revenue is combined with the District issue to recognize tax revenue from the lost ratables that occurred as a direct result of Super Storm Sandy. To continue essential government functions, the District created cost saving measures such as implementing several energy conservation plans and has developed certain budget constraints, including addressing non-essential costs. The Toms River Regional School District will continue to employ prudent and responsible fiscal practices to maintain its sound financial condition.

On July 13, 2018, the New Jersey State budget was signed, which included revised state aid for school districts. Most districts in the State received an increase in state aid, however, certain districts received a decrease. Toms River Regional School District's revised aid allocation when the budget was signed resulted in a decrease in State aid of \$2,357,955.

The District filed an application to have the reduction in aid reversed. In November 2018, the District received notification from the State that their application was denied. As a result, the District has revised the 2018-19 budget to utilize \$1,157,955 of unassigned fund balance and \$1,200,000 of additional maintenance reserve funds.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the resources entrusted to it. If you have questions about this report or need additional information, contact Mr. William Doering, Business Administrator at Toms River Regional School District, 1144 Hooper Avenue, Toms River, NJ 08753. Please visit our website at <http://www.trschools.com>.

Toms River Regional School District

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,046,236	\$ 2,430,020	\$ 6,476,256
Investments	100,216		100,216
Advance deposit	509,391		509,391
Accounts receivable	3,307,575	184,860	3,492,435
Internal balances	36,030	(36,030)	-
Inventories		143,028	143,028
Other assets		153,850	153,850
Restricted assets:			
Cash and cash equivalents	13,623,860		13,623,860
Cash held with fiscal agent	19,508,222		19,508,222
Capital assets, non-depreciable	5,368,923	1,421,600	6,790,523
Capital assets, depreciable, net	146,748,245	7,576,356	154,324,601
Total assets	<u>193,248,698</u>	<u>11,873,684</u>	<u>205,122,382</u>
Deferred outflows of resources			
Deferred loss on refunding of debt	2,515,899		2,515,899
Pension deferrals	25,858,024		25,858,024
Total deferred outflows of resources	<u>28,373,923</u>		<u>28,373,923</u>
Liabilities			
Accounts payable	6,175,745	99,014	6,274,759
Intergovernmental accounts payable:			
State	161,160		161,160
Federal	8,243		8,243
Accrued interest payable	1,312,729		1,312,729
Accrued liability for insurance claims	15,240,942		15,240,942
Accrued salaries and wages		38,889	38,889
Unearned revenue	508,421	137,961	646,382
Other liabilities	351,632	83,764	435,396
Current portion of long-term obligations	7,775,962	31,411	7,807,373
Net pension liability	90,355,186		90,355,186
Noncurrent portion of long-term obligations	80,092,371	88,167	80,180,538
Total liabilities	<u>201,982,391</u>	<u>479,206</u>	<u>202,461,597</u>
Deferred Inflow of Resources			
Pension deferrals	<u>22,343,963</u>		<u>22,343,963</u>
Net Position			
Net investment in capital assets	99,813,914	8,997,956	108,811,870
Restricted for:			
Excess Surplus-Current Year	590,534		590,534
Excess Surplus - prior year designated for subsequent years expenses	1,573,524		1,573,524
Capital Reserve	5,206,098		5,206,098
Maintenance Reserve	7,196,820		7,196,820
Emergency Reserve	709,865		709,865
Capital Projects	143,314		143,314
Unrestricted (deficit)	(117,937,802)	2,396,522	(115,541,280)
Total net position	<u>\$ (2,703,733)</u>	<u>\$ 11,394,478</u>	<u>\$ 8,690,745</u>

Toms River Regional School District

Statement of Activities

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
Instruction	\$ 211,887,951	\$ 1,242,546	\$ 5,805,570		\$ (204,839,835)		\$ (204,839,835)
Support services							
Attendance/social work	387,746				(387,746)		(387,746)
Health services	6,397,628				(6,397,628)		(6,397,628)
Other support services	24,918,381		2,083,760		(22,834,621)		(22,834,621)
Improvement of instruction	6,011,197				(6,011,197)		(6,011,197)
School library	3,891,383				(3,891,383)		(3,891,383)
Instructional staff training	220,608				(220,608)		(220,608)
General administration	4,916,786				(4,916,786)		(4,916,786)
School administration	17,792,269				(17,792,269)		(17,792,269)
Central Services	5,034,316				(5,034,316)		(5,034,316)
Administrative information technology	2,861,286			\$ 241,092	(2,620,194)		(2,620,194)
Required maintenance	7,377,341				(7,377,341)		(7,377,341)
Operation of plant	20,591,699				(20,591,699)		(20,591,699)
Security	2,429,200				(2,429,200)		(2,429,200)
Student transportation	22,514,118	159,199			(22,354,919)		(22,354,919)
Special schools	70,589				(70,589)		(70,589)
Costs of issuance	121,402				(121,402)		(121,402)
Interest on long-term debt	2,819,562				(2,819,562)		(2,819,562)
Total governmental activities	340,243,462	1,401,745	7,889,330	241,092	(330,711,295)		(330,711,295)
Business-type activities							
Food Service	4,294,142	2,006,216	2,217,811		\$ (70,115)		(70,115)
Corporate Center	916,866	933,800			16,934		16,934
Day Care Center	738,499	749,195			10,696		10,696
Bennett Complex	361,086	410,492			49,406		49,406
RWJ Barnabas Health Arena	410,859	536,481			125,622		125,622
Total business-type activities	6,721,452	4,636,184	2,217,811		132,543		132,543
Total primary government	\$ 346,964,914	\$ 6,037,929	\$ 10,107,141	\$ 241,092	(330,711,295)	132,543	(330,578,752)
General revenues:							
Property taxes, levied for general purposes					151,916,716		151,916,716
Property taxes, levied for debt service					5,612,753		5,612,753
State Sources					168,170,900		168,170,900
Federal Sources					309,882		309,882
Investment Income					161,918	955	162,873
Miscellaneous Income					1,537,832		1,537,832
Total general revenues					327,710,001	955	327,710,956
Change in net position before extraordinary item and transfers					(3,001,294)	133,498	(2,867,796)
Extraordinary item-restitution funds					7,616		7,616
Total extraordinary item					7,616	-	7,616
Transfers					108,280	(108,280)	-
Change in net position					(2,885,398)	25,218	(2,860,180)
Net position-beginning					181,665	11,369,260	11,550,925
Net position-ending					\$ (2,703,733)	\$ 11,394,478	\$ 8,690,745

Toms River Regional School District
Governmental Funds

Balance Sheet

June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Assets					
Cash and cash equivalents	\$ 4,414,214		\$ 58,932	\$ 84,167	\$ 4,557,313
Investments	100,216				100,216
Accounts receivable:					
State	1,583,263	\$ 7,919			1,591,182
Federal		1,198,170			1,198,170
Other	514,447	3,776			518,223
Other assets	509,391				509,391
Interfund receivable	124,180				124,180
Restricted assets:					
Cash and cash equivalents	13,112,783				13,112,783
Cash held with fiscal agent	2,283,408		17,224,814		19,508,222
Total assets	<u>\$ 22,641,902</u>	<u>\$ 1,209,865</u>	<u>\$ 17,283,746</u>	<u>\$ 84,167</u>	<u>\$ 41,219,680</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued expenditures	\$ 1,933,748	\$ 522,691			\$ 2,456,439
Intergovernmental accounts payable:					
State		161,160			161,160
Federal		8,243	\$ 79,457		87,700
Interfund payable		8,693			8,693
Other liabilities	2,283,408	657	350,975		2,635,040
Unearned revenue		508,421			508,421
Total liabilities	<u>4,217,156</u>	<u>1,209,865</u>	<u>430,432</u>		<u>5,857,453</u>
Fund balances:					
Restricted for:					
Excess Surplus - current year	590,534				590,534
Excess Surplus - prior year designated for subsequent years expenditures	1,573,524				1,573,524
Capital reserve	5,206,098				5,206,098
Maintenance reserve	7,196,820				7,196,820
Emergency reserve	709,865				709,865
Capital projects			16,853,314		16,853,314
Debt service				\$ 84,167	84,167
Assigned to:					
Additional assigned fund balance designated for subsequent year's expenditures	1,157,955				1,157,955
Designated for subsequent year's expenditures	226,476				226,476
Other purposes	1,763,474				1,763,474
Total fund balances	<u>18,424,746</u>	<u>-</u>	<u>16,853,314</u>	<u>84,167</u>	<u>35,362,227</u>
Total liabilities and fund balances	<u>\$ 22,641,902</u>	<u>\$ 1,209,865</u>	<u>\$ 17,283,746</u>	<u>\$ 84,167</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 \$377,308,672 and the accumulated depreciation is \$225,191,504.	152,117,168
Accrued interest payable on debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(1,312,729)
Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds.	2,515,899
Accrued liability for insurance claims not due and payable in the current period and therefore is not reported as a liability in the funds.	(15,240,942)
Deferred pension costs in governmental activities are not financial resources (uses) and therefore are not reported in the funds.	3,514,061
Accrued pension contributions for the June 30, 2017 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(3,719,306)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(90,355,186)
Other liabilities included in the governmental funds represent leases that were entered into prior to June 30, 2018 and are included as liabilities in the long-term liability note below.	2,283,408
Other post employment benefits payable liabilities are not due in the current period and therefore reported as long-term liabilities in the funds.	(3,231,183)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(84,637,150)
Net position of governmental activities (A-1)	<u>\$ (2,703,733)</u>

Toms River Regional School District
Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues					
Local sources:					
Local tax levy	\$ 151,916,716			\$ 5,612,753	\$ 157,529,469
Interest on investments	82,461		\$ 79,457		161,918
Transportation fees from other LEAs within the State	159,199				159,199
Tuition	1,242,546				1,242,546
Rental Income	119,921				119,921
Solar Renewable Energy Credits	376,611				376,611
Miscellaneous	1,041,300	\$ 367,277			1,408,577
Total revenues—local sources	154,938,754	367,277	79,457	5,612,753	160,998,241
State sources	99,327,782	822,541		349,207	100,499,530
Federal sources	309,882	6,944,604			7,254,486
Total revenues	254,576,418	8,134,422	79,457	5,961,960	268,752,257
Expenditures					
Current:					
Instruction	92,456,004	5,805,570			98,261,574
Undistributed:					
Instruction	5,941,454				5,941,454
Attendance/social work	169,950				169,950
Health services	3,345,174				3,345,174
Guidance services	3,868,002				3,868,002
Speech, OT, PT and related services	3,325,414				3,325,414
Child study teams / special education	3,669,620	2,083,760			5,753,380
Improvement of instruction	2,645,740				2,645,740
School library	1,768,899				1,768,899
Instructional staff training	197,742				197,742
General administration	3,209,748				3,209,748
School administration	7,900,213				7,900,213
Central services	2,271,270				2,271,270
Administrative information technology	1,494,232				1,494,232
Required maintenance	3,484,733				3,484,733
Operation of plant	11,069,296				11,069,296
Care and upkeep of grounds	985,441				985,441
Security	1,073,418				1,073,418
Student transportation	12,381,904				12,381,904
Personnel services-					
unallocated employee benefits	58,726,685				58,726,685
On-behalf payments	29,258,553				29,258,553
Special Schools	31,795				31,795
Capital outlay	4,378,153	241,092	685,870		5,305,115
Debt Service:					
Debt service payment - principal	1,914,322			4,897,834	6,812,156
Debt service payment - interest	166,392		350,975	1,520,077	2,037,444
Costs of issuance			121,402		121,402
Total expenditures	255,734,154	8,130,422	1,158,247	6,417,911	271,440,734
(Deficiency) excess of Revenues (Under) over Expenditures	(1,157,736)	4,000	(1,078,790)	(455,951)	(2,688,477)
Other financing sources (uses):					
Transfers in	191,737			455,910	647,647
Transfers out	(455,910)	(4,000)	(79,457)		(539,367)
Bonds issued			16,710,000		16,710,000
Premium on bonds issued			1,301,561		1,301,561
Capital Leases (non-budgeted)	2,845,573				2,845,573
Total other financing sources (uses)	2,581,400	(4,000)	17,932,104	455,910	20,965,414
Extraordinary Item - restitution funds	7,616				7,616
Net change in fund balances	1,431,280	-	16,853,314	(41)	18,284,553
Fund balances, July 1	16,993,466	-	-	84,208	17,077,674
Fund balances, June 30	\$ 18,424,746	\$ -	\$ 16,853,314	\$ 84,167	\$ 35,362,227

The reconciliation of the fund balances of governmental funds to the net position of governmental activities on the statement of activities is presented in an accompanying schedule (B-3).

Toms River Regional School District
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities

Year ended June 30, 2018

Total net change in fund balances - governmental funds (B-2)	\$ 18,284,553																		
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>																			
<p>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 and disposals. This is the amount by which depreciation expense exceeded capital asset additions and disposals in the period.</p>																			
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Depreciation expense</td> <td style="width: 10%; text-align: right;">\$ (7,752,087)</td> <td style="width: 10%;"></td> </tr> <tr> <td>Capital asset additions</td> <td style="text-align: right;">4,248,163</td> <td></td> </tr> <tr> <td>Loss on disposals</td> <td style="text-align: right;"><u>(17,705)</u></td> <td style="text-align: right;">(3,521,629)</td> </tr> </table>	Depreciation expense	\$ (7,752,087)		Capital asset additions	4,248,163		Loss on disposals	<u>(17,705)</u>	(3,521,629)										
Depreciation expense	\$ (7,752,087)																		
Capital asset additions	4,248,163																		
Loss on disposals	<u>(17,705)</u>	(3,521,629)																	
<p>Repayments of bonds, loan, notes and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and are not reported in the statement of net position.</p>																			
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Serial bonds</td> <td style="width: 10%; text-align: right;">4,715,000</td> <td style="width: 10%;"></td> </tr> <tr> <td>Issuance of ESIP bonds</td> <td style="text-align: right;">(16,710,000)</td> <td></td> </tr> <tr> <td>Capital lease proceeds</td> <td style="text-align: right;">(2,130,000)</td> <td></td> </tr> <tr> <td>Obligations under capital leases</td> <td style="text-align: right;">1,914,322</td> <td></td> </tr> <tr> <td>Deferred pension obligation</td> <td style="text-align: right;">66,461</td> <td></td> </tr> <tr> <td>Retirements of note principal</td> <td style="text-align: right;"><u>182,834</u></td> <td style="text-align: right;">(11,961,383)</td> </tr> </table>	Serial bonds	4,715,000		Issuance of ESIP bonds	(16,710,000)		Capital lease proceeds	(2,130,000)		Obligations under capital leases	1,914,322		Deferred pension obligation	66,461		Retirements of note principal	<u>182,834</u>	(11,961,383)	
Serial bonds	4,715,000																		
Issuance of ESIP bonds	(16,710,000)																		
Capital lease proceeds	(2,130,000)																		
Obligations under capital leases	1,914,322																		
Deferred pension obligation	66,461																		
Retirements of note principal	<u>182,834</u>	(11,961,383)																	
<p>Expenses reported in the statement of activities that do not require the use of current financial resources, such as the obligation for postemployment benefits other than pensions, are not reported as expenditures in governmental funds. This amount represents the change from the prior year.</p>																			
	487,492																		
<p>Claims that have been incurred but not yet reported at June 30 are liabilities on the statement of net position, but are not reflected in the governmental funds. This amount reflects the change in the liability balances at June 30, 2018.</p>																			
	(1,492,689)																		
<p>In the current year, the District entered into capital lease agreements prior to the end of the fiscal year in which the lease proceeds were unspent and recorded as other liabilities in the general fund. This amount represents the change from the prior year.</p>																			
	(713,326)																		
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount reflects the change from the prior year.</p>																			
	(598,471)																		
<p>Governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.</p>																			
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Amortization of Premium on Bonds</td> <td style="width: 10%; text-align: right;">171,543</td> <td style="width: 10%;"></td> </tr> <tr> <td>Premium on Bond Issuance</td> <td style="text-align: right;">(1,301,563)</td> <td></td> </tr> <tr> <td>Amortization of Deferred Interest Costs</td> <td style="text-align: right;"><u>(355,188)</u></td> <td style="text-align: right;">(1,485,208)</td> </tr> </table>	Amortization of Premium on Bonds	171,543		Premium on Bond Issuance	(1,301,563)		Amortization of Deferred Interest Costs	<u>(355,188)</u>	(1,485,208)										
Amortization of Premium on Bonds	171,543																		
Premium on Bond Issuance	(1,301,563)																		
Amortization of Deferred Interest Costs	<u>(355,188)</u>	(1,485,208)																	
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). The amount presented is the net change.</p>																			
	407,516																		
<p>Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>																			
Pension expense, contributions made and change in accrued contributions	(2,292,253)																		
Change in net position of governmental activities (A-2)	<u>\$ (2,885,398)</u>																		

Toms River Regional School District
Proprietary Funds

Statement of Net Position

June 30, 2018

	Business-Type Activities Major Enterprise Funds					Totals
	Food Service	Corporate Center	Day Care Center	Bennett Complex	RWJ Barnabas Health Arena	
Assets						
Current assets:						
Cash and cash equivalents	\$ 193,757	\$ 1,046,378		\$ 705,966	\$ 483,919	\$ 2,430,020
Accounts receivable:						
State	3,089					3,089
Federal	160,472					160,472
Other	8,424		\$ 1,485		11,390	21,299
Inventories	143,028					143,028
Other assets		93,099	60,751			153,850
Total current assets	508,770	1,139,477	62,236	705,966	495,309	2,911,758
Non-current assets:						
Capital assets, non-depreciable		1,421,600				1,421,600
Capital assets, depreciable, net	267,744	4,275,179	10,581	788,308	2,234,544	7,576,356
Total non-current assets	267,744	5,696,779	10,581	788,308	2,234,544	8,997,956
Total assets	776,514	6,836,256	72,817	1,494,274	2,729,853	11,909,714
Liabilities						
Current liabilities:						
Accounts payable	512	97,440			1,062	99,014
Accrued salaries and wages	11,995		24,800		2,094	38,889
Unearned revenue	134,288	450			3,223	137,961
Security deposits		83,764				83,764
Interfund payable			36,030			36,030
Current portion of compensated absences payable	31,411					31,411
Total current liabilities	178,206	181,654	60,830		6,379	427,069
Non-current liabilities:						
Compensated absences payable	88,167					88,167
Total liabilities	266,373	181,654	60,830		6,379	515,236
Net position						
Investment in capital assets	267,744	5,696,779	10,581	788,308	2,234,544	8,997,956
Unrestricted	242,397	957,823	1,406	705,966	488,930	2,396,522
Total net position	\$ 510,141	\$ 6,654,602	\$ 11,987	\$ 1,494,274	\$ 2,723,474	\$ 11,394,478

Toms River Regional School District
Proprietary Funds

Statement of Revenues, Expenses and
Changes in Fund Net Position

Year ended June 30, 2018

	Business-Type Activities Major Enterprise Funds					Totals
	Food Service	Corporate Center	Day Care Center	Bennett Complex	RWJ Barnabas Health Arena	
Operating revenues:						
Local sources:						
Daily food sales-reimbursable programs	\$ 901,165					\$ 901,165
Daily food sales-non-reimbursable programs	1,105,051					1,105,051
Tuition			\$ 749,195			749,195
Rental income		\$ 933,775		\$ 284,361	\$ 105,240	1,323,376
Sales				123,845	171,597	295,442
Fees collected					245,754	245,754
Miscellaneous		25		2,286	13,890	16,201
Total operating revenues	<u>2,006,216</u>	<u>933,800</u>	<u>749,195</u>	<u>410,492</u>	<u>536,481</u>	<u>4,636,184</u>
Operating expenses:						
Salaries	2,039,752		536,320	175,417	142,318	2,893,807
Employee benefits	274,557		77,989	13,419	19,042	385,007
Repairs and maintenance		155,887		20,496	58,662	235,045
Supplies and materials	83,051	38	52,603	54,436	83,231	273,359
Cost of sales - reimbursable programs	1,356,755					1,356,755
Cost of sales - non-reimbursable programs	329,979					329,979
Depreciation	49,951	180,055	2,008	22,445	74,481	328,940
Amortization		48,252				48,252
Utilities	54,540	239,547		25,491	19,983	339,561
Real estate taxes		145,542				145,542
Rental	34,290		66,264			100,554
Management services		45,780				45,780
Tenant improvements		1,872				1,872
Insurance	11,102			2,021	10,053	23,176
Other purchased services	27,204	69,977		42,803		139,984
Miscellaneous	32,961	29,916	3,315	4,558	3,089	73,839
Total operating expenses	<u>4,294,142</u>	<u>916,866</u>	<u>738,499</u>	<u>361,086</u>	<u>410,859</u>	<u>6,721,452</u>
Operating (loss) income	(2,287,926)	16,934	10,696	49,406	125,622	(2,085,268)
Nonoperating revenues:						
State sources:						
School lunch program	38,487					38,487
Federal sources:						
School breakfast program	433,598					433,598
School lunch program	1,461,821					1,461,821
Healthy Hunger-Free Kids Act (HHFKA)	43,596					43,596
Food donation program - commodities	238,121					238,121
Federal aid reimbursement - (FEMA)	2,188					2,188
Interest revenue		955				955
Total nonoperating revenues	<u>2,217,811</u>	<u>955</u>				<u>2,218,766</u>
(Loss) income before transfers	(70,115)	17,889	10,696	49,406	125,622	133,498
Transfer in	4,000					4,000
Transfers out				(20,972)	(91,308)	(112,280)
Change in net position	(66,115)	17,889	10,696	28,434	34,314	25,218
Total net position, beginning	576,256	6,636,713	1,291	1,465,840	2,689,160	11,369,260
Total net position, end	<u>\$ 510,141</u>	<u>\$ 6,654,602</u>	<u>\$ 11,987</u>	<u>\$ 1,494,274</u>	<u>\$ 2,723,474</u>	<u>\$ 11,394,478</u>

Toms River Regional School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2018

	Business-Type Activities Major Enterprise Funds					Totals
	Food Service	Corporate Center	Day Care Center	Bennett Complex	RWJ Barnabas Health Arena	
Cash flows from operating activities						
Receipts from customers	\$ 2,040,358	\$ 900,121	\$ 707,223	\$ 410,492	\$ 527,080	\$ 4,585,274
Payments to employees	(2,050,301)		(595,966)	(188,836)	(160,510)	(2,995,613)
Payments for employee benefits	(274,557)					(274,557)
Payments for rent	(34,290)		(66,264)			(100,554)
Payments to suppliers	(1,953,794)	(594,766)	(55,918)	(149,805)	(173,956)	(2,928,239)
Net cash (used in) provided by operating activities	<u>(2,272,584)</u>	<u>305,355</u>	<u>(10,925)</u>	<u>71,851</u>	<u>192,614</u>	<u>(1,713,689)</u>
Cash flows from investing activity						
Interest received	-	955				955
Net cash provided by investing activity	<u>-</u>	<u>955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955</u>
Cash flows from capital and related financing activities						
Purchase of capital assets	(46,911)	(257,384)		(191,744)	(14,063)	(510,102)
Cash received from other funds for capital asset	4,000					4,000
Net cash (used in) capital and related financing activities	<u>(42,911)</u>	<u>(257,384)</u>	<u>-</u>	<u>(191,744)</u>	<u>(14,063)</u>	<u>(506,102)</u>
Cash flows from noncapital financing activities						
Cash received from state and federal sources	2,332,148					2,332,148
Cash received (disbursed) from (to) other funds			10,925	(20,972)	(91,308)	(101,355)
Net cash provided by (used in) noncapital financing activities	<u>2,332,148</u>	<u>-</u>	<u>10,925</u>	<u>(20,972)</u>	<u>(91,308)</u>	<u>2,230,793</u>
Net increase (decrease) in cash and cash equivalents	16,653	48,926	-	(140,865)	87,243	11,957
Cash and cash equivalents, beginning of year	177,104	997,452	-	846,831	396,676	2,418,063
Cash and cash equivalents, end of year	<u>\$ 193,757</u>	<u>\$ 1,046,378</u>	<u>\$ -</u>	<u>\$ 705,966</u>	<u>\$ 483,919</u>	<u>\$ 2,430,020</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities						
Operating (loss) income	\$ (2,287,926)	\$ 16,934	\$ 10,696	\$ 49,406	\$ 125,622	\$ (2,085,268)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:						
Depreciation	49,951	180,055	2,008	22,445	74,481	328,940
Amortization expense		48,252				48,252
Change in assets and liabilities:						
(Increase) in intergovernmental receivable			(1,221)			(1,221)
(Increase) in accounts receivable	(2,784)				(11,390)	(14,174)
(Increase) in inventory	(60,313)					(60,313)
(Increase) in other assets		(20,027)	(40,751)			(60,778)
Increase (decrease) in accounts payable	21	93,793			1,062	94,876
Increase (decrease) in unearned revenue	36,926	(19,550)			1,989	19,365
(Decrease) in compensated absences payable	(10,549)					(10,549)
Increase in other liabilities		5,898				5,898
Increase in accrued salaries	2,090		18,343		850	21,283
Net cash (used in) provided by operating activities	<u>\$ (2,272,584)</u>	<u>\$ 305,355</u>	<u>\$ (10,925)</u>	<u>\$ 71,851</u>	<u>\$ 192,614</u>	<u>\$ (1,713,689)</u>
Noncash noncapital financing activities						
The District received \$278,549 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2018.						

Toms River Regional School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2018

	<u>Private- Purpose Scholarship Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 49,576	\$ 5,859,857	\$ 7,557,821
Total assets	<u>49,576</u>	<u>5,859,857</u>	<u>\$ 7,557,821</u>
Liabilities			
Payroll deductions and withholdings payable			\$ 1,726,320
Summer payroll payable			5,049,588
Accounts payable		81,477	
Due to class funds			39,598
Due to student groups			762,315
Total liabilities		<u>81,477</u>	<u>\$ 7,577,821</u>
Net position			
Held in trust for unemployment benefits		<u>\$ 5,778,380</u>	
Held in trust for scholarships	<u>\$ 49,576</u>		

Toms River Regional School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2018

	Private- Purpose Scholarship Trust Funds	Unemployment Compensation Trust Fund
Additions		
Interest received	\$ 200	\$ 175
Contributions-employees		407,100
Donations	46,076	
Total additions	<u>46,276</u>	<u>407,275</u>
Deductions		
Scholarships awarded	49,400	
Unemployment claims		244,090
Total deductions	<u>49,400</u>	<u>244,090</u>
Change in net position	(3,124)	163,185
Net position-beginning of the year	52,700	5,615,195
Net position-end of the year	<u>\$ 49,576</u>	<u>\$ 5,778,380</u>

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies

The financial statements of the Toms River Regional School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a Type II school district located in Ocean County, New Jersey. As a Type II school district, the District functions independently from the Township through a Board of Education. The Board is comprised of nine members elected to three year staggered terms. The District provides a full range of educational services appropriate to grades Pre-K through 12 and include both regular and special education programs.

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Toms River Regional School District in Toms River, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

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 District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires all funds be reported as major to promote consistency among the school districts in the State of New Jersey.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, bonds, capital lease obligations, other post-employment benefit liabilities, deferred pension obligation, loans and legal liabilities are recorded only when payment is due.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Property taxes, interest, and state aid associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the District receives cash.

In accordance with GASB Statement No. 72, funds invested in solar renewable energy certificates associated with the current fiscal period are considered revenue under the full accrual and modified accrual basis of accounting. These investments, however, are not recognized on the budgetary basis of accounting until sold or expected to be sold within 60 days after year end.

The District has reported the following major governmental funds:

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

Special Revenue Fund: The District maintains one special revenue fund which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived primarily from the Energy Savings Improvement Plan ("ESIP") bonds.

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Corporate Center Enterprise Fund: The corporate center enterprise fund accounts for all revenues and expenses pertaining to the operations of the Center that are financed and operated in a manner similar to private business enterprises. Costs are offset by rental income paid by tenants of the Center. In April 1997, the District acquired a commercial office building and land for \$6,041,170 and \$1,421,600, respectively. The District's administrative offices are maintained in the building as well as other ancillary school services. The District renovated vacant office space for use as additional classrooms, a day care facility and a café servicing both school board and tenant employees. The District has entered into contract with Atlantic Coast Realty Appraisal Group, Inc. to provide professional management services in connection with the rental agreements with its commercial tenants.

Daycare Center Enterprise Fund: The Daycare Center ("Center") accounts for all revenues and expenses of the Center and is run as its own separate entity. The Center provides services primarily for District employees. The Center operates from September to June and is open 184 days per year.

John Bennett Athletic Complex Enterprise Fund: The John Bennett Athletic Complex ("Complex") accounts for all revenues and expenses of the Complex and is run as its own separate entity and used as the gymnasium for Intermediate School East. The Complex is an air structure used for indoor track and sporting events that is also rented by outside parties.

RWJ Barnabas Health Arena Enterprise Fund: The RWJ Barnabas Health Arena (formerly known as the Pine Belt Arena, name change effective December 20, 2017), on the campus of High School North, accounts for all revenues and expenses of the Arena and is run as its own separate entity and the facility is used as the high school gymnasium during school hours but is rented to other parties for various sporting events, trade shows, and concerts during after school hours.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds: Fiduciary funds of the District include the unemployment compensation and private purpose scholarship trust funds and agency funds. The trust funds are reported using the economic resources measurement focus. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

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.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Trust Funds: Unemployment compensation and private purpose scholarship funds are accounted for using the economic resources measurement focus. The unemployment compensation fund is used to account for contributions from the District and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

Agency Funds (Payroll and Student Activity 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.

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

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

Enterprise funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges for sales of food, rent and tuition. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheet and statements of net position. Unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and statements of net position and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

The County Board of Taxation is responsible for the assessment of properties, and the Municipal Tax Collectors are responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds and submitted to the County Office of the New Jersey Department of Education for approval. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures. All budget amendments must be approved by Board resolution and certain other matters require approval by the County Superintendent of Schools. Budgetary transfers were made during the current year in accordance with statutory guidelines.

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 accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes only and 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.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, amounts on deposit, and money market accounts. Investments are recorded at fair value.

Toms River Regional School District
Notes to the Basic Financial Statements
Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

F. Inventories

Inventories, which benefit future periods are recorded as an expenditure during the year of purchase. The consumable inventory is the property of the District.

At June 30, 2018, there was \$47,929 of unused Food Donation Program commodities owned by the District.

G. Capital Assets

Capital assets, which include land and property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures. Donated capital assets are recorded at their acquisition value on the date of acquisition.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	Years
Land improvements	10-20
Machinery and equipment	5-12
Buildings	50
Building improvements	20-50
Vehicles	5-10

H. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

District employees are granted vacation and sick leave in varying amounts under the District’s personnel policies and collective bargaining agreements. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with Districts agreements with the various employee unions. Under

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

H. Compensated Absences (continued)

terms of association agreements, employees earn vacation and sick leave in amounts varying with tenure and classification by the District for the unused sick leave in accordance with District agreements with the various employee unions.

As of June 30, 2018, a liability existed for compensated absences in the governmental activities financial statements in the amount of \$12,331,580. The liability for vested compensated absences in the proprietary fund types is recorded within those funds as the benefits accrue to employees and is recorded in the amount of \$119,578.

I. Unearned Revenue

Unearned revenue in the special revenue fund represents cash from grants, which has been received but not yet earned. Unearned revenue in the food service enterprise fund represent cash receipts from students for future meals that have been received in advance and the unused portion of Food Donation Program commodities, prepayments of fees in the RWJ Barnabas Health Arena and prepayments of rent from tenants within the Corporate Center.

J. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, including deferred amounts from the refunding of debt and deferred amounts related to pensions. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

K. Deferred Loss on Defeasance of Debt

Deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest and other charges on long-term debt. The amortization expense for the year ended June 30, 2018 amounted to \$355,188. As of June 30, 2018, the District has recorded an unamortized balance of \$2,515,899 as a deferred outflow of resources.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums and discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”) established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government’s highest level of decision-making authority. The District’s highest level of decision-making authority is the Board of Education (the “Board”) and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

M. Fund Balances (continued)

- 5) Unassigned - includes all spendable amounts not contained in the other classifications in 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 the 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 both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$18,424,746 of general fund balance at June 30, 2018, \$5,206,098 is restricted in a capital reserve (\$455,910 of the balance is being utilized as part of the 2018-19 budget), \$7,196,820 is restricted in a maintenance reserve (\$2,600,000 of the balance is being utilized as part of the 2018-19 budget), \$709,865 is restricted in an emergency reserve, \$3,003,551 is assigned for year-end encumbrances, \$590,534 has been restricted for excess surplus – current year, \$1,573,524 of prior year excess surplus is restricted and has been designated for subsequent years expenditures, \$226,476 is reported as an assigned fund balance designated for subsequent year's expenditures, \$1,157,955 is reported as additional assigned fund balance designated for subsequent year's expenditures July 1, 2018 to August 1, 2018 resulting from a decrease in state aid after adoption of the 2018-19 district budget, and \$1,763,474 is classified as assigned for other purposes. At June 30, 2018, the District also had restricted debt service fund balance in the amount of \$84,167 and capital projects fund balance of \$16,853,314.

N. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

Net positions are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

O. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

P. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and post-retirement pension, medical and long-term disability contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$42,149,888 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

Q. Calculation of Excess Surplus

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. \$1,573,524 of prior year excess fund balance was included in the 2018-19 approved budget. The excess fund balance generated in the 2018 fiscal year is \$590,534, which will be appropriated in the 2019-20 budget.

R. GASB Pronouncements

GASBs Pronouncements Implemented in the 2018 Fiscal Year

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75). This Statement replaces the requirements of Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The District has adopted Statement No. 75 during the year ended June 30, 2018, which resulted in an increase in full accrual revenues and expenses and additional disclosures in the notes to the basic financial statements.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

R. GASB Pronouncements (continued)

In March, 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The District has adopted GASB Statement No. 85 during the year ended June 30, 2018, which did not have a significant impact on the financial statements.

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not yet determined the impact of the statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not yet determined the impact of the statement on the financial statements.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2018 and February 15, 2019, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements. On January 22, 2019, the voters of the District approved a bond referendum in the amount not to exceed \$147,148,269 for various school repairs. In addition, see Note 22.

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, unamortized premiums, long term notes payable, compensated absences, capital leases and deferred pension obligations, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$87,868,333 difference are as follows:

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Bonds payable	\$ 61,075,000
Other post-employment benefits payable	3,231,183
Unamortized bond premium	2,684,415
Notes payable	914,170
Deferred pension obligations	776,417
Capital leases payable	6,855,568
Compensated absences payable	<u>12,331,580</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 87,868,333</u>

3. Deposits and Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and Statement No. 72, *Fair Value Measurement and Application*. 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 and are stated at cost. All other investments are stated at fair value. New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”).

GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units.

The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that 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 and the New Jersey Asset and Rebate 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.

The District's cash and cash equivalents are classified below to inform financial statement users about the extent to which a government's deposits and investments are exposed to custodial credit risk.

At June 30, 2018, the carrying amount of the District's deposits for all funds was \$53,095,592 and the bank balance was \$56,175,321. Of the bank balance, \$831,829 of the District's cash deposits on June 30, 2018 were secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered \$28,774,353 of the bank balance. \$19,508,649 of the balance represents capital lease funds held by fiscal agent that is not covered by GUDPA. \$7,059,470 held in the District agency accounts are not covered by GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash and money market accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

Deposits (continued)

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Operating cash accounts are held in the District's name by several commercial banking institutions.

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits, in the form of certificates of deposit, money market accounts and checking accounts, may not be returned to it. The District does not have a deposit policy for custodial credit risk.

Investments

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

- a. Bonds and 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 of any United States Bank, which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

As of June 30, 2018, the District's investment balance of \$100,216 was in Solar Renewable Energy Certificates (SRECs). The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurement as of June 30, 2018:

- SRECs in the amount of \$100,216 are valued using quoted market prices (Level 1 inputs).

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investment. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

New Jersey Cash Management Fund (continued)

various State and non-State agencies in primarily short-term investments. The pooled shares are equal to the value of the District's shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2018, the District's balance was \$181,455 and is classified as cash equivalents due to its short-term nature and is considered a Level 1 investment under GASB Statement No. 72. The debt instruments in the NJCMF are rated by three national rating agencies.

All investments in the Fund are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk exposure. The District does not have a policy for custodial credit risk.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The average maturity of the District's investment in the NJCMF is less than one year.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2018, all of the District's investments were invested in NJCMF, except for the SRECs.

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,368,923				\$ 5,368,923
Total capital assets, not being depreciated	5,368,923				5,368,923
Capital assets, being depreciated:					
Land improvements	22,022,201	\$ 64,070			22,086,271
Buildings and building improvements	324,891,258	1,382,574			326,273,832
Machinery, equipment and vehicles	22,250,885	2,801,519	\$ (1,470,258)	\$ (2,500)	23,579,646
Total capital assets being depreciated	369,164,344	4,248,163	(1,470,258)	(2,500)	371,939,749
Less accumulated depreciation for:					
Land improvements	16,086,060	1,017,696			17,103,756
Buildings and building improvements	185,422,984	5,838,853			191,261,837
Machinery, equipment and vehicles	17,385,426	895,538	(1,454,303)	(750)	16,825,911
Total accumulated depreciation	218,894,470	7,752,087	(1,454,303)	(750)	225,191,504
Total capital assets, being depreciated, net	150,269,874	(3,503,924)	(15,955)	(1,750)	146,748,245
Total Governmental activities capital assets, net	\$155,638,797	\$(3,503,924)	\$ (15,955)	\$ (1,750)	\$152,117,168

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

Instruction	\$4,783,356
Attendance/social work	7,694
Health services	151,447
Guidance services	175,118
Other support services	586,146
Improvement of instruction	119,782
School library	80,084
Instructional staff training	8,952
General administration	146,143
School administration	357,669
Central services	102,828
Administrative IT	69,01
Required maintenance	157,766
Operation of plant	545,759
Security	48,597
Student transportation	586,845
Total depreciation expense – governmental activities	<u>\$7,752,087</u>

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

4. Capital Assets (continued)

The following is a summary of business-type changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,421,600				\$ 1,421,600
Total capital assets not being depreciated	1,421,600				1,421,600
Capital assets, being depreciated:					
Land improvements	486,161	\$ 189,855			676,016
Buildings and building improvements	10,378,076	257,384			10,635,460
Machinery and equipment	2,524,661	66,962	\$ (4,100)	\$ 2,500	2,590,023
Total capital assets being depreciated	13,388,898	514,201	(4,100)	2,500	13,901,499
Less accumulated depreciation for:					
Land improvements	368,308	26,207			394,515
Buildings and building improvements	3,505,494	238,260			3,743,754
Machinery and equipment	2,125,818	64,473	(3,417)		2,186,874
Total accumulated depreciation	5,999,620	328,940	(683)		6,325,143
Total capital assets, being depreciated, net	7,389,278	185,621	(683)	2,500	7,576,356
Total business-type activities capital assets, net	\$ 8,810,878	\$ 185,261	\$ (683)	\$ 2,500	\$ 8,997,956

5. Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences payable	\$ 12,739,096	\$ 960,552	\$ (1,368,068)	\$ 12,331,580	\$ 288,775
Bonds payable	49,080,000	16,710,000	(4,715,000)	61,075,000	4,840,000
Notes payable	1,097,004		(182,834)	914,170	182,834
Premium on bonds	1,554,395	1,301,563	(171,543)	2,684,415	204,082
Deferred pension obligations	842,878		(66,461)	776,417	72,166
OPEB	3,718,675		(487,492)	3,231,183	
Capital leases payable	6,639,890	2,130,000	(1,914,322)	6,855,568	2,188,105
Subtotal	75,671,938	21,102,115	(8,905,720)	87,868,333	7,775,962
Net pension liability	120,038,158		(29,682,972)	90,355,186	
Total governmental activities long-term liabilities	\$ 195,710,096	\$ 21,102,115	\$ (38,588,692)	\$ 178,223,519	\$ 7,775,962

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

The District expects to liquidate the compensated absences and capital leases with payments made from the District's general fund. Bonds and notes payable are expected to be liquidated by expenditures charged to the debt service fund. The deferred pension obligations are expected to be paid from budgetary appropriations in the general fund. The net pension liability and the OPEB will be liquidated with payments from the general fund.

During the year ended June 30, 2018, the District entered into a capital lease in the amount of \$2,130,000 with TD Equipment Finance, Inc. for the purpose of purchasing school buses and the acquisition and installation of IT equipment. The funds have been deposited into an interest earning escrow account and have not been expended as of June 30, 2018.

During the year ended June 30, 2018, the District expended \$2,845,573 of prior year unexpended capital lease proceeds.

During the year ended June 30, 2018, the following changes occurred in business-type long-term liabilities attributable to the food service enterprise fund:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities: Compensated absences payable	<u>\$ 130,128</u>	<u>\$5,691</u>	<u>\$ 16,241</u>	<u>\$ 119,578</u>	<u>\$ 31,411</u>

Bonds Payable

Bonds are authorized in accordance with State law or 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 District are general obligation bonds.

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

	Principal	Interest	Total
Year ending June 30:			
2019	\$ 5,660,000	\$ 2,453,316	\$ 8,113,316
2020	5,875,000	1,944,666	7,819,666
2021	5,125,000	1,761,798	6,886,798
2022	5,785,000	1,558,165	7,343,165
2023	6,015,000	1,352,106	7,367,106
2024-2028	19,390,000	3,599,694	22,989,694
2029	13,225,000	3,102,297	16,327,297
	<u>\$ 61,075,000</u>	<u>\$ 15,772,042</u>	<u>\$ 76,847,042</u>

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

Bonds Payable (continued)

Bonds payable at June 30, 2018 are comprised of the following issues:

\$15,790,000, 2009 refunding bonds, due in annual installments ranging from \$1,275,000 to \$1,485,000 through July 15, 2022 at interest rates ranging from 3.50% to 4.00%. The final payment on the defeased bonds was made on July 15, 2014.

\$17,635,000, 2012 school refunding bonds, due in annual installments ranging from \$1,125,000 to \$1,710,000 through July 15, 2028 at an interest rate of 4.00%. As of June 30, 2018, the amount of defeased bonds outstanding is \$15,789,000.

\$20,365,000, 2013 school refunding bonds, due in annual installments ranging from \$950,000 to \$4,630,000 through July 15, 2024 at interest rates ranging from 1.67% to 3.12%. As of June 30, 2018, the amount of defeased bonds outstanding is \$16,610,000.

\$6,055,000, 2016 school refunding bonds, due in annual installments ranging from \$1,490,000 to \$1,550,000 through January 15, 2021 at an interest rate of 1.40%. As of June 30, 2018, the amount of defeased bonds outstanding is \$4,520,000.

On December 20, 2017, the District issued School Energy Savings Obligation Refunding Bonds in the amount of \$16,710,000 to finance energy conservation measures pursuant to an Energy Savings Improvement Plan ("ESIP") at interest rates ranging from 3.125% to 5.00%, due in annual installments ranging from \$385,000 to \$1,410,000 through December 15, 2038.

Notes Payable-CREBS

Principal and interest due on notes payable outstanding is as follows:

Year ending June 30:	Principal	Interest	Total
2019	\$ 182,834	\$ 9,461	\$ 192,295
2020	182,834	7,359	190,193
2021	182,834	5,256	188,090
2022	182,834	3,154	185,988
2023	182,834	1,051	183,885
	\$ 914,170	\$ 26,281	\$ 940,451

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

Deferred Pension Obligation

Principal and interest due on deferred pension obligation liability is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2019	\$ 72,166	\$ 64,768	\$ 136,934
2020	78,360	58,574	136,934
2021	85,086	51,848	136,934
2022	92,390	44,544	136,934
2023	100,320	36,614	136,934
2024-2026	348,095	55,257	403,352
	<u>\$ 776,417</u>	<u>\$ 311,605</u>	<u>\$ 1,088,022</u>

Capital Leases Payable

The District is leasing various items under several capital leases. The following is a schedule of the future minimum lease payments and the net present value of the net minimum payments at June 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2019	\$ 2,188,105	\$ 123,403	\$ 2,311,508
2020	1,790,700	67,690	1,858,390
2021	1,468,000	57,023	1,525,023
2022	959,002	29,295	988,297
2023	449,761	6,825	456,586
	<u>\$ 6,855,568</u>	<u>\$ 284,236</u>	<u>\$ 7,139,804</u>

Assets capitalized through capital leases at June 30, 2018 are as follows:

Machinery and equipment	\$ 3,617,530
Less accumulated depreciation	<u>(237,957)</u>
Total	<u>\$3,379,573</u>

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

Operating Leases

The District leases copier equipment. The lease expense amounted to \$34,394 for fiscal year 2018. The future minimum rental payments under the operating lease agreements total \$39,993 agreement over the remaining life of the lease:

<u>Year ending June 30:</u>	
2019	\$24,834
2020	12,477
2021	2,682
	<u>\$ 39,993</u>

6. Pension Plans

Description of Systems

Substantially all of the District's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System 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. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011.

Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service.

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service.

Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in through July 2018 that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

During the year ended June 30, 2018, the State of New Jersey contributed \$22,493,020 to the TPAF for on-behalf medical benefits, long-term disability insurance and pension contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$6,765,533 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 government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2018, 2017, and 2016 were \$3,595,798, \$3,600,625, and \$3,477,959 respectively, equal to the required contributions for each year.

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

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

Public Employee's Retirement System (PERS)

At June 30, 2018, the District reported a liability of \$90,355,186 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.3881503012 percent, which was a decrease of 0.0171494387 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized full accrual pension expense of \$5,888,051 in the government-wide financial statements. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,127,553	
Changes of assumptions	18,203,456	\$ 18,136,719
Net difference between projected and actual earnings on pension plan investments	615,258	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,192,451	4,207,244
District contributions subsequent to the measurement date	3,719,306	
	\$ 25,858,024	\$ 22,343,963

\$3,719,306 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 1,550,846
2020	2,714,346
2021	1,232,762
2022	(3,396,589)
2023	(2,306,610)
	\$ (205,245)

Actuarial Assumptions

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:

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Inflation rate	2.25%
Salary increase through 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.00%

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.

Mortality Rates

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.0% 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expecting future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 asset	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%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017 and 3.98% as of June 30, 2016. 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 member 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.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
\$ 112,091,740	\$ 90,355,186	\$ 72,245,942

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$	6,424,455,842
Deferred inflows of resources	\$	5,700,625,981
Net pension liability	\$	23,278,401,588
 District's Proportion		 0.3881503012%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2017, 2016, 2015 and 2014 is 5.48, 5.57, 5.72, and 6.44 years, respectively.

Teachers Pensions and Annuity Fund (TPAF) – 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.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2017 was \$608,443,545. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State's proportionate share of the TPAF net pension liability associated with the District was 0.9024191711 percent, which was an increase of .0053014428 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$42,149,888 for contributions incurred by the State.

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included 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%

Mortality Rates

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

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, 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 Divisions of Pensions and Benefits, the board of trustees and the actuaries. The long-term

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 asset	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%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017 and 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term 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 member 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.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Sensitivity of the State's proportionate share of the net pension liability associated with the District to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's proportionate share of the net pension liability associated with the District	\$ 722,850,017	\$ 608,443,545	\$ 514,194,996

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

Additional Information

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 14,251,854,934
Deferred inflows of resources	\$ 11,807,238,433
Net pension liability	\$ 67,423,605,859
State's proportionate share associated with the District	0.9024191711%

Collective pension expense for the plan for the measurement period ended June 30, 2017 is \$4,682,493,081.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2017, 2016, 2015 and 2014 is 8.3, 8.3, 8.3, and 8.5 years, respectively.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits

State Plan

Plan description and benefits provided

The School District contributes to the New Jersey State Health Benefits Program (the "SHBP"), a multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2018, 2017 and 2016 were \$8,819,992, \$8,457,625 and \$8,552,579 respectively, which equaled the required contributions for each year.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. 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. As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 (GASB 75) and the State is treated as a non-employer contributing entity.

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

The 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.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

The State provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Total OPEB Liability

The net OPEB liability from New Jersey's plan is \$53,639,841,858.

Changes in the District's Total OPEB Liability

Below represents the changes in the District's total OPEB liability for the year ended June 30, 2017:

	Total OPEB Liability
Beginning Total OPEB Liability, June 30, 2016	\$ 713,403,660
Changes for the year:	
Service cost	23,853,635
Interest cost	20,804,270
Changes of assumptions	(85,869,098)
Member contributions	560,794
Gross benefit payments	(15,229,642)
Net changes	(55,880,041)
Ending Total OPEB Liability, June 30, 2017	\$ 657,523,619

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education	June 30, 2017
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	366,078

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 District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the District as of

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

June 30, 2017 was \$657,523,619. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

	TPAF	PERS
Inflation rate	2.50%	2.50%
Salary increase through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the actual experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

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.

Mortality Rates

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality table for males or females, as appropriate, with adjustments for mortality improvements based on 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.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

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.

The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate.

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	At 1% decrease (2.58%)	At current discount rate (3.58%)	At 1% increase (4.58%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 780,527,855	\$ 657,523,519	\$ 559,955,311

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 540,749,532	\$ 657,523,519	\$ 812,598,000

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

OPEB Expense and Deferred Outflows of resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$35,164,015 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$	99,843,255
Deferred inflows of resources	\$	6,443,612,287
Collective OPEB Expense	\$	3,348,490,523
District's Proportion		1.23%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the District records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

Toms River Regional Schools Post-Retirement Health Plan

Plan Description

The District provides postemployment medical benefits, including prescription drug coverage, and vision and dental care, in accordance with state statute, to participating retirees and their beneficiaries. As of July 1, 2013, the valuation date, approximately 20 retirees meet the eligibility requirements set forth in P.L. 1992, c126. The District sponsors and participates in a single-employer defined benefit OPEB plan. The OPEB plan is administered by the District and does not issue a stand-alone financial statement.

The obligations of the plan members and the District are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and members vary depending on the applicable agreement. The plan is closed to new entrants.

Employees covered by benefit terms

At June 30, 2018, there are eighteen inactive employees currently receiving benefits under the plan. There are no active employees or inactive employees entitled to but not yet receiving benefits.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

Toms River Regional Schools Post-retirement Health Plan (continued)

Total OPEB Liability

The net OPEB liability from District's plan is \$3,231,183.

Actuarial assumptions and other inputs

The total OPEB liability of \$3,231,183 was reported in the June 30, 2018 actuarial valuation prepared by the District's actuary, Mernard Consulting, Inc., which was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.98%
Healthcare cost trend rates – Medical	3.60%
Healthcare cost trend rates – Pharmacy	7.50%
Healthcare cost trend rates – Standard Dental	4.10%
Healthcare cost trend rates – Vision	2.10%

The discount rate utilized during the June 30, 2018 measurement period was 2.98%.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 29, 2018.

Changes in the total OPEB liability reported by the Menard Consulting, Inc.:

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 3,718,675
Changes for the year:	
Interest	112,332
Effect of economic/demographic gains or losses	(276,178)
Employer contributions	(259,611)
Changes in assumptions or other	(64,035)
Net changes	<u>\$ (487,492)</u>
Balance at June 30, 2018	<u>\$ 3,231,183</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13% in 2017 to 2.98% in 2018.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

Toms River Regional Schools Post-retirement Health Plan (continued)

For the year ended June 30, 2018, the District recognized negative OPEB expense of \$227,881.

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the District for school board retirees, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage -point lower (1.98%) or 1-percentage-point higher (3.98%) than the current discount rate:

	At 1% Decrease (1.98%)	At Current Discount Rate (2.98%)	At 1% Increase (3.98%)
Net OPEB liability	\$ 3,502,718	\$ 3,231,183	\$ 2,995,351

Sensitivity of the total OPEB liability to changes in the healthcare trend rates.

The following presents the total OPEB liability of the District for school board retirees, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage -point lower (2.60%) or 1-percentage-point higher (4.60%) than the current discount rate:

	At 1% Decrease (2.60%)	At Current Healthcare Trend Rate (3.60%)	At 1% Increase (4.60%)
Net OPEB liability	\$ 2,997,245	\$ 3,231,183	\$ 3,494,692

8. Interfund Receivables and Payables

The following interfund balances were recorded on the various balance sheets as of June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 124,180	
Special Revenue Fund		\$ 8,693
Capital Projects Fund		79,457
Day Care Center Enterprise Fund		36,030
	\$ 124,180	\$ 124,180

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

8. Interfund Receivables and Payables (continued)

The general fund interfund receivable is due from the special revenue fund in the amount of \$8,693 and \$36,030 from the day care center enterprise fund, both for a transfer during 2017-2018 to cover a cash deficit that is due back to the general fund. The general fund interfund receivable from the capital projects fund represents the interest earned in the capital projects fund to offset the cost of debt.

All interfunds are expected to be repaid within one year.

9. Transfers – Reconciliation

The following presents a reconciliation of transfers made during the 2018 fiscal year:

	Transfers In	Transfers Out
General Fund	\$ 191,737	\$ 455,910
Special Revenue Fund		4,000
Capital Projects Fund		79,457
Debt Service Fund	455,910	
Food Service Enterprise Fund	4,000	
Bennett Complex Enterprise Fund		20,972
RWJ Barnabas Health Arena Enterprise Fund		91,308
	\$ 651,647	\$ 651,647

The transfer between the general fund and the debt service fund represents the transfer of funds from the capital reserve account to fund debt service expenditures. The transfer from the RWJ Barnabas Health Arena Enterprise Fund to the General Fund of \$91,308 and the transfer from the Bennett Complex Enterprise Fund to the general fund of \$20,972 represent a return on investment transferred to the General Fund. The transfer from the Special Revenue Fund to the Food Service Enterprise Fund represents the transfer of assets purchased with grant funding in the Special Revenue Fund which will be utilized and carried as a capital asset in the Food Service Enterprise Fund. The transfer from the Capital Projects Fund to the General Fund represents the transfer of interest earned in the Capital Projects Fund to offset the cost of debt.

10. Economic Dependency

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

11. 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.

During the 2018 fiscal year, the District was covered by commercial insurance, as well as being self-insured for workers' compensation (\$650,000 deductible/limit per occurrence), general and auto liability (\$300,000 deductible/limit per occurrence) and student accident (\$25,000 deductible/limit per occurrence).

Health Insurance-Self Insured

The District is self-insured for health benefits, which provides for the District's employees' health benefits. There is a stop-loss policy for \$300,000 per covered individual. Under the program, annual rates are established with the insurance carrier based on expenses, projected claims and a margin for fluctuation, thereby providing a predictable monthly premium. The claims are filed with and paid by Meritain and on a monthly basis Meritain bills the District for actual claims paid.

This activity is reported in the government-wide financial statements and includes an accrual for health insurance claims incurred but not reported in the amount of \$5,982,000 at June 30, 2018. This represents the amount estimated by categorizing the various claims and reviewing past history primarily on actual claims during the previous fiscal years, for which information was available and supplemental information with respect to certain other individual claims and proceedings. The stated liability is the District's best estimate based on currently known information and application of the foregoing procedures and funds the liability with annual appropriations in the general fund.

Changes in the funds incurred but not reported claims liability amount for health insurance for the fiscal years 2018, 2017 and 2016 were:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments / Reductions	Balance at End of Year
2017-18	\$5,760,000	\$46,172,368	\$45,950,368	\$ 5,982,000
2016-17	5,542,952	43,901,718	43,684,670	5,760,000
2015-16	5,702,456	47,103,425	47,262,929	5,542,952

Self-Insured Workers' Compensation/General and Auto Liability/Employment Practice/Legal Liability/Student Accident

The District is self-insured for amounts limited to between \$25,000 and \$650,000 per occurrence, depending upon the type and year the liability was incurred for certain types of claims and any excess is covered by

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

11. Risk Management (continued)

excess insurance coverage. The liability below was estimated by an actuary categorizing the various claims and reviewing past history based primarily on actual settlements by type of claim during the preceding fiscal years, for which information was available and supplemental information with respect to certain other individual claims and proceedings. The stated liability is the District's best estimate based on currently known information and application of the foregoing procedures.

Changes in the case reserves and incurred but not reported claims liability amount for workers' compensation, general and auto liability, employment practice, legal liability and student accident claims for the fiscal years ending 2018, 2017 and 2016 were:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments / Reductions	Balance at End of Year
2017-18	\$7,988,253	\$5,130,927	\$3,860,238	\$9,258,942
2016-17	7,561,879	2,668,518	2,242,144	7,988,253
2015-16	6,363,322	3,552,388	2,353,831	7,561,879

A complete schedule of insurance can be found in the Statistical Section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

New Jersey Unemployment Compensation Insurance

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

The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's unemployment trust fund for the past three years:

Fiscal Year	Interest on Investments	Contributions	Amount Paid	Ending Balance
2017-18	\$ 175	\$ 407,100	\$ 244,090	\$ 5,778,380
2016-17	73	397,310	309,752	5,615,195
2015-16	32	379,841	319,268	5,527,564

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

12. Deferred Compensation

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

AIG/Valic	Lincoln Investment Planning	AXA Equitable
Tom Seely Agency	Asset Management Investment Planning	McGuckin Financial
Metlife	Siracusa Benefits Program	Travelers Citistreet
Discovery Financial	Legend Group/NEA Program	

13. Restricted Assets

The District has restricted certain assets to offset the capital reserve, maintenance reserve and emergency reserve fund balances in the general fund in the amount of \$5,206,098, \$7,196,820 and \$709,865, respectively. The District also has restricted cash held with fiscal agent in the general fund in the amount of \$2,283,408, which represents proceeds not yet expended from capital leases entered into through June 30, 2018 and \$17,224,814 in the capital projects fund which represents funds not yet expended on the Energy Savings Improvement Plan.

14. Capital Reserve Account

A capital reserve account was established by the District's Board of Education by inclusion in September of 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the 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 or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line items of appropriation amounts, or both. 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. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

14. Capital Reserve Account (continued)

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

Beginning balance, June 30, 2017	\$	5,874,517
Budget withdrawal		(755,910)
Interest earnings		10,500
Deposits:		
Unused capital outlay funds		103,991
Ending balance, June 30, 2018	\$	<u>5,206,098</u>

The June 30, 2018 balance in the capital reserve account did not exceed the local support costs of uncompleted capital projects. The District has budgeted \$430,000 of the June 30, 2018 capital reserve balance in its 2018-19 fiscal year budget.

15. Maintenance Reserve Account

A maintenance reserve account was established by the Toms River Regional School District during the 2003-2004 school year for the accumulation of funds for use as maintenance expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The maintenance reserve account is used to accumulate funds for the required maintenance of a facility in accordance with the EFCFA (*N.J.S.A. 18A: 7G-9*) as amended by P.L. 2004, c. 73 (S1701). Districts may only increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes (*N.J.A.C. 6A:23A-14.2*) or by deposit of any unanticipated revenue or unexpended line-item appropriation by board resolution at year end. The board resolution for deposit at year end into a maintenance reserve account must be made between June 1 and June 30 of the budget year.

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

Beginning balance, June 30, 2017	\$	6,687,720
Budget withdrawal		(2,000,000)
Interest earnings		9,100
Deposits:		
Approved by June 2018 resolution		2,500,000
Ending balance, June 30, 2018	\$	<u>7,196,820</u>

The balance in the maintenance reserve does not exceed four percent of the replacement cost of the school district's school facilities for the current year at June 30, 2018. The District has budgeted \$2,600,000 of the June 30, 2018 maintenance reserve balance in its 2018-19 fiscal year budget as a result of the reduction of state aid subsequent to the 2018-19 budget adoption.

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

16. Emergency Reserve Account

An emergency reserve account was established by the District during the 2006-2007 school year for the accumulation of funds for use as emergency expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget. The emergency reserve account is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonable unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1 percent of the general fund budget not to exceed \$1 million. Deposits may be made to the emergency reserve account by the board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1 and June 30. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of 4 percent.

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

Beginning balance, June 30, 2017	\$ 707,415
Interest earnings	<u>2,450</u>
Ending balance, June 30, 2018	<u>\$ 709,865</u>

17. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District's management, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

The District 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 on the financial position of the Board. However, certain cases have a high probability of an unfavorable outcome. Therefore, an accrual of \$1,343,198 has been recorded in the governmental funds to address any litigation matters that pertain to fiscal year ended June 30, 2018.

18. Commitments

The District has contractual commitments at June 30, 2018 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$3,003,551 and is included in the

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

18. Commitments (continued)

assigned – other purposes fund balance of \$1,763,474 and \$3,701,558 in the capital projects fund included in restricted fund balance of \$16,853,314.

19. Deferred Pension Obligation

In 2009, the State of New Jersey permitted School Districts to defer up to 50% of their contributions due in 2009. The District elected this option, resulting in a deferral of \$1,144,755, which has been reported in the District's long-term liabilities section. The balance as of June 30, 2018 is \$776,417.

20. Extraordinary Item

The former superintendent for the District was ordered to pay \$4,336,988 in restitution to the School District. The District has received \$4,142,988 of these funds through June 30, 2018, which includes \$7,616 received during the fiscal year ended June 30, 2018. The \$7,616 received in the fiscal year ended June 30, 2018 has been recorded as an extraordinary item. Applicable authorities and District attorneys' are vigorously pursuing the remaining funds owed to the District. The remaining balance has not been recorded in the financial statements and will not be recorded until the funds are released and received by the District.

21. Tax Abatements

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

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

The Township of Toms River provides for long-term tax exemptions, as authorized by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Township of Toms River are for affordable housing projects and other permitted purposes. Taxes abated include municipal, local school and county taxes.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

21. Tax Abatements (continued)

The Township of Toms River recognized revenue of \$323,078 from the annual service charge in lieu of payment of taxes in 2017 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$892,086, based upon the assessed valuations of the long-term tax exemptions properties. A portion of the \$569,008 abatement would have been allocated to the District.

The Borough of Pine Beach, Township of Beachwood and Borough of South Toms River did not provide any long term tax exemptions in 2017.

22. Subsequent Events

On July 13, 2018, the New Jersey State budget was signed, which included revised state aid for school districts. Most districts in the State received an increase in state aid, however, certain districts received a decrease. Toms River Regional School District's revised aid allocation resulted in a decrease in State aid of \$2,357,955. The District filed an application to the State of New Jersey Department of Education have the reduction in aid reversed. In November 2018, the District's application for restoration of aid was denied. As a result, the District revised the 2018-19 budget to utilize \$1,157,955 of unassigned fund balance and \$1,200,000 of additional maintenance reserve funds.

23. Change in Accounting Principle

Effective in the fiscal year ended June 30, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this Statement required a restatement of prior year net position in the government-wide financial statements.

	Governmental Activities
Beginning Net Position - June 30, 2017	\$ 4,351,746
Adjustments:	
District OPEB Adjustment for GASB Statement No. 75	(4,170,081)
Beginning Net Position - June 30, 2017, as restated	\$ 181,665

Toms River Regional School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Public Employees Retirement System

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	0.4019779833%	0.4171099175%	0.4045399954%	0.4052997399%	0.3881503012%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	\$ 76,835,980	\$ 78,094,385	\$ 90,811,122	\$ 120,038,158	\$ 90,355,186
District's covered payroll	\$ 26,886,579	\$ 28,229,384	\$ 29,688,160	\$ 28,142,412	\$ 27,783,291	\$ 28,464,560	\$ 27,539,772	\$ 27,569,910	\$ 26,839,471	\$ 26,060,161
District's proportionate share of the net pension liability (asset) as a percentage of the covered payroll	N/A	N/A	N/A	N/A	N/A	269.90%	283.57%	329.38%	447.41%	346.72%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	N/A	N/A	N/A	48.72%	52.08%	47.93%	40.14%	48.10%

N/A - Information not available

See Note to Required Supplementary Information

Toms River Regional School District
 Required Supplementary Information
 Schedule of District Contributions
 Public Employees Retirement System

Last Ten Fiscal Years

	Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 2,154,276	\$ 2,476,460	\$ 3,193,445	\$ 3,375,594	\$ 3,193,343	\$ 3,438,594	\$ 3,477,959	\$ 3,600,625	\$ 3,595,798	\$ 3,719,306
Contributions in relation to the contractually required contribution	(2,154,276)	(2,476,460)	(3,193,445)	(3,375,594)	(3,193,343)	(3,438,594)	(3,477,959)	(3,600,625)	(3,595,798)	(3,719,306)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 28,239,384	\$ 29,688,160	\$ 28,142,412	\$ 27,783,291	\$ 28,464,560	\$ 27,559,772	\$ 27,569,910	\$ 26,829,471	\$ 26,060,161	\$ 25,881,978
Contributions as a percentage of covered payroll	7.63%	8.34%	11.33%	12.15%	11.22%	12.49%	12.62%	13.42%	13.80%	14.37%

See Note to Required Supplementary Information

Toms River Regional School District
 Required Supplementary Information
 Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
 Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.8861361810%	0.8856836534%	0.8971177283%	0.9024191711%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 473,610,948	\$ 559,789,890	\$ 705,729,925	\$ 608,443,545
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 473,610,948</u>	<u>\$ 559,789,890</u>	<u>\$ 705,729,925</u>	<u>\$ 608,443,545</u>
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make contributions to this plan.

See Note to Required Supplementary Information

Toms River Regional School District
 Required Supplementary Information
 Schedule of the State's Proportionate Share of the Net OPEB Liability Associated With the District
 and Changes in the Total OPEB Liability and Related Ratios
 Public Employee's Retirement System and Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30,	
	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	1.23%	1.23%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 657,523,619	\$ 713,403,660
Total proportionate share of the net OPEB liability (asset) associated with the District	\$ 657,523,619	\$ 713,403,660
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
	2018	2017**
Total OPEB Liability		
Changes for the year:		
Service cost	\$ 23,853,635	
Interest cost	20,804,270	
Changes of assumptions	(85,869,098)	
Member contributions	560,794	
Gross benefit payments	(15,229,642)	
Net change in total OPEB liability	(55,880,041)	
Total OPEB liability - beginning	713,403,660	
Total OPEB liability - ending	\$ 657,523,619	
Covered-employee payroll	\$ 82,505,263	
Total OPEB liability as a percentage of covered-employee payroll	796.95%	

The amounts presented for each fiscal year were determined as of the previous fiscal year-

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

** information not available.

See Note to Required Supplementary Information

Toms River Regional School District
 Required Supplementary Information
 Schedule of the Changes in Net OPEB Liability
 District Plan

Last Ten Fiscal Years*

	2018
Balance, Beginning of Year	\$ <u>3,718,675</u>
Changes for the year:	
Service Cost	-
Interest	112,332
Effect of economic/demographic gains or losses	(276,178)
Employer contributions	(259,611)
Changes in assumptions or other inputs	(64,035)
Net changes	<u>(487,492)</u>
Balance, End of Year	\$ <u><u>3,231,183</u></u>
Total OPEB Liability	\$ 3,231,183
OPEB plan's fiduciary net position	\$ -
Net OPEB Liability	\$ 3,231,183
Plan fiduciary net position as a percentage of the total OPEB liability -	0.00%
Covered employee payroll	\$ -
Net OPEB liability as a percentage of covered employee payroll	0.00%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

See Note to Required Supplementary Information

Toms River Regional School District
 Required Supplementary Information
 Schedule of District OPEB Contributions
 District Plan

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	N/A	N/A	N/A	N/A	N/A	\$ 230,484	\$ 272,410	\$ 288,869	\$ 323,510	\$ 259,611
Contributions in relation to the contractually required contribution	N/A	N/A	N/A	N/A	N/A	(230,484)	(272,410)	(288,869)	(323,510)	(259,611)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Since there are no active employees of the District that are eligible to participate in the Plan, as it relates solely to retirees and the enrollment period has expired, the covered payroll is \$0.

N/A - Information prior to July 1, 2013 was not available.

See Note to Required Supplementary Information

Toms River Regional School District
Notes to Required Supplementary Information
Year ended June 30, 2018

PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

TEACHERS PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

OTHER POST EMPLOYMENT BENEFITS

A. State of New Jersey Post-Employment Retirement Plan

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.13% as of June 30, 2016 to 2.98% as of June 30, 2017.

B. Toms River School District Post-Employment Retirement Plan

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.00% as of June 30, 2017 to 2.92% as of June 30, 2018.

Toms River Regional Schools
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 151,916,715		\$ 151,916,715	\$ 151,916,716	\$ 1
Tuition from Individuals	66,754		66,754	90,316	23,562
Tuition from other LEAs within the State	427,330		427,330	1,054,986	627,656
Tuition from other sources				97,244	97,244
Transportation fees from other LEAs within the State	40,000		40,000	159,199	119,199
Rents and Royalties	110,000		110,000	119,921	9,921
Interest Earned on Investments				60,411	60,411
Solar Credits	460,000		460,000	313,681	(146,319)
Miscellaneous	412,280		412,280	1,041,300	629,020
Interest Earned on Current Expense Emergency Reserve	2,450		2,450	2,450	
Interest Earned on Maintenance Reserve	9,100		9,100	9,100	
Interest Earned on Capital Reserve Funds	10,500		10,500	10,500	
Total - Local Sources	153,455,129		153,455,129	154,875,824	1,420,695
State Sources:					
Educational Adequacy Aid	433,801		433,801	433,801	
Equalization Aid	39,941,537		39,941,537	39,941,537	
Categorical Special Education Aid	9,263,660		9,263,660	9,263,660	
Transportation Aid	4,600,705		4,600,705	4,600,705	
Security Aid	1,848,137		1,848,137	1,848,137	
Adjustment Aid	11,788,519	\$ (1,366,845)	10,421,674	10,421,674	
PARCC Readiness Aid	155,830		155,830	155,830	
Per Pupil Growth Aid	155,830		155,830	155,830	
Professional Learning Community Aid	154,220		154,220	154,220	
Emergency Aid		1,366,845	1,366,845	1,366,845	
Additional Non-Public Transportation Aid				107,300	107,300
State Reimbursed Lead Testing				24,317	24,317
Extraordinary Aid	750,000		750,000	1,475,963	725,963
TPAF Pension (On-Behalf - Non-Budgeted)				13,655,802	13,655,802
TPAF Post-retirement Medical (On-Behalf-Non-Budgeted)				8,819,992	8,819,992
TPAF Non-contributory Insurance (On-Behalf- Non Budgeted)				17,226	17,226
TPAF Social Security (Reimbursed - Non-Budgeted)				6,765,533	6,765,533
Total State Sources	69,092,239	-	69,092,239	99,208,372	30,116,133
Federal Sources:					
Medicaid Assistance Program	261,905		261,905	309,882	47,977
Total - Federal Sources	261,905	-	261,905	309,882	47,977
Total Revenues	222,809,273	-	222,809,273	254,394,078	31,584,805
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	3,400,693	(183,700)	3,216,993	3,204,847	12,146
Grades 1-5 - Salaries of Teachers	22,636,609	(1,075,147)	21,561,462	21,509,506	51,956
Grades 6-8 - Salaries of Teachers	15,011,849	93,851	15,105,700	15,091,051	14,649
Grades 9-12 - Salaries of Teachers	21,647,768	(892,671)	20,755,097	20,727,339	27,758
Regular Programs - Home Instruction					
Salaries of Teachers	130,000	85,408	215,408	215,007	401
Purchased Professional-Educational Services	95,000	(11,253)	83,747	79,507	4,240
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	96,070	1,404	97,474	96,034	1,440
Purchased Professional-Educational Services	1,999,000	528,086	2,527,086	2,521,887	5,199
Purchased Technical Services	325,575	(29,998)	295,577	266,243	29,334
Other Purchased Services	2,365,400	148,129	2,513,529	2,342,335	171,194
General Supplies	1,489,400	300,622	1,790,022	1,451,411	338,611
Textbooks	1,219,500	(741,508)	477,992	382,843	95,149
Other Objects	154,000	199,628	353,628	335,191	18,437
TOTAL REGULAR PROGRAMS - INSTRUCTION	70,570,864	(1,577,149)	68,993,715	68,223,201	770,514

Toms River Regional Schools
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
SPECIAL EDUCATION - INSTRUCTION					
Cognitive - Mild:					
Salaries of Teachers	\$ 421,577	\$ (56,560)	\$ 365,017	\$ 360,467	\$ 4,550
Other Salaries for Instruction	400,870	(34,825)	366,045	358,746	7,299
Purchased Professional-Educational Services	90,000	46,659	136,659	136,034	625
General Supplies	8,500	1,950	10,450	10,345	105
Textbooks		140	140	139	1
Total Cognitive - Mild	920,947	(42,636)	878,311	865,731	12,580
Cognitive - Moderate:					
Salaries of Teachers	137,022	(56,972)	80,050	74,102	5,948
Other Salaries for Instruction	40,317	3,000	43,317	38,947	4,370
Purchased Professional-Educational Services	45,000	(25,866)	19,134	18,814	320
General Supplies	3,200	6,083	9,283	9,003	280
Textbooks	500	(430)	70	68	2
Total Cognitive - Moderate	226,039	(74,185)	151,854	140,934	10,920
Learning and/or Language Disabilities					
Salaries of Teachers	2,522,834	26,720	2,549,554	2,542,901	6,653
Other Salaries for Instruction	1,422,032	(149,292)	1,272,740	1,251,838	20,902
Purchased Professional-Educational Services	420,000	153,755	573,755	530,381	43,374
General Supplies	54,100	(26,360)	27,740	26,653	1,087
Textbooks		356	356	355	1
Total Learning and/or Language Disabilities	4,418,966	5,179	4,424,145	4,352,128	72,017
Auditorily Impairments					
Salaries of Teachers	149,708	49,085	198,793	197,629	1,164
Other Salaries for Instruction	14,560	9,820	24,380	23,843	537
Purchased Professional-Educational Services	92,300	(53,118)	39,182	32,320	6,862
General Supplies	6,800	6,048	12,848	12,818	30
Textbooks	500	(166)	334	333	1
Total Auditorily Impairments	263,868	11,669	275,537	266,943	8,594
Behavioral Disabilities					
Salaries of Teachers	496,017	(74,995)	421,022	412,287	8,735
Other Salaries for Instruction	146,443	43,780	190,223	187,067	3,156
Purchased Professional-Educational Services	102,600	17,532	120,132	99,623	20,509
General Supplies	8,000	6,710	14,710	13,223	1,487
Textbooks	1,600	(1,600)			
Total Behavioral Disabilities	754,660	(8,573)	746,087	712,200	33,887
Multiple Disabilities					
Salaries of Teachers	289,339	(34,138)	255,201	252,853	2,348
Other Salaries for Instruction	359,244	25,682	384,926	374,578	10,348
Purchased Professional-Educational Services	85,000	60,138	145,138	143,990	1,148
General Supplies	12,900	4,185	17,085	16,586	499
Other Objects	500		500	500	
Total Multiple Disabilities	746,983	55,867	802,850	788,507	14,343
Resource Room/Resource Center					
Salaries of Teachers	7,093,833	62,800	7,156,633	7,148,077	8,556
Other Salaries for Instruction	25,317	3,000	28,317	27,900	417
Purchased Professional-Educational Services	240,000	(38,000)	202,000	199,747	2,253
General Supplies	38,000	(15,693)	22,307	22,306	1
Textbooks	3,000	1,565	4,565	4,489	76
Total Resource Room/Resource Center	7,400,150	13,672	7,413,822	7,402,519	11,303
Autism					
Salaries of Teachers	1,561,398	(206,173)	1,355,225	1,349,287	5,938
Other Salaries for Instruction	1,637,956	(155,443)	1,482,513	1,459,131	23,382
Purchased Professional-Educational Services	774,000	164,056	938,056	884,829	53,227
General Supplies	58,700	(15,589)	43,111	39,355	3,756
Textbooks	500	(193)	307	307	
Other Objects		5,167	5,167	5,095	72
Total Autism	4,032,554	(208,175)	3,824,379	3,738,004	86,375

Toms River Regional Schools
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Preschool Disabilities - Part-Time					
Salaries of Teachers	\$ 770,784	\$ 18,132	\$ 788,916	\$ 787,240	\$ 1,676
Other Salaries for Instruction	600,320	(125,620)	474,700	467,036	7,664
Purchased Professional-Educational Services	120,000	72,593	192,593	185,236	7,357
Other Purchased Services	5,000		5,000	4,075	925
General Supplies	14,000	1,211	15,211	13,905	1,306
Total Preschool Disabilities - Part-Time	1,510,104	(33,684)	1,476,420	1,457,492	18,928
Preschool Disabilities - Full-Time					
Salaries of Teachers	442,384	(15,524)	426,860	424,652	2,208
Other Salaries for Instruction	125,082	(16,000)	109,082	108,246	836
Purchased Professional-Educational Services	45,000	18,493	63,493	56,264	7,229
General Supplies	2,200	(2,200)			
Total Preschool Disabilities - Full-Time	614,666	(15,231)	599,435	589,162	10,273
Home Instruction					
Salaries of Teachers	130,000	61,507	191,507	191,506	1
Purchased Professional-Educational Services	145,000	(98,984)	46,016	35,465	10,551
Total Home Instruction	275,000	(37,477)	237,523	226,971	10,552
TOTAL SPECIAL EDUCATION - INSTRUCTION	21,163,937	(333,574)	20,830,363	20,540,591	289,772
Basic Skills/Remedial - Instruction					
Salaries of Teachers	847,424	(30,800)	816,624	772,342	44,282
Other Purchased Services	500		500		500
General Supplies	8,200		8,200		8,200
Textbooks	1,500		1,500		1,500
Total Basic Skills/Remedial - Instruction	857,624	(30,800)	826,824	772,342	54,482
Bilingual Education - Instruction					
Salaries of Teachers	563,832	13,000	576,832	572,559	4,273
Other Purchased Services	3,200		3,200	127	3,073
General Supplies	5,000		5,000		5,000
Other Objects	2,500		2,500		2,500
Total Bilingual Education - Instruction	574,532	13,000	587,532	572,686	14,846
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	637,000	(2,968)	634,032	632,775	1,257
Purchased Services	53,000	13,239	66,239	50,518	15,721
Supplies and Materials	97,200	42,315	139,515	32,255	107,260
Other Objects	20,000	32,251	52,251	45,677	6,574
Total School-Spon. Cocurricular Actvts. - Inst.	807,200	84,837	892,037	761,225	130,812
School-Spon. Athletics					
Salaries	2,572,927	(3,318)	2,569,609	2,398,342	171,267
Purchased Services	361,750	48,408	410,158	360,713	49,445
Supplies and Materials	233,500	(27,744)	205,756	145,651	60,105
Other Objects	130,500	(23,457)	107,043	105,494	1,549
Total School-Spon. Athletics	3,298,677	(6,111)	3,292,566	3,010,200	282,366
Community Services Programs/Operations					
Salaries	25,827	1,700	27,527	26,993	534
Purchased Services	2,250		2,250		2,250
Supplies and Materials	4,200	(1,500)	2,700	528	2,172
Other Objects	1,000		1,000	100	900
Total Community Services Programs/Operations	33,277	200	33,477	27,621	5,856
TOTAL INSTRUCTION	97,306,111	(1,849,597)	95,456,514	93,907,866	1,548,648

Toms River Regional Schools
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Regular	\$ 150,000	\$ 144,404	\$ 294,404	\$ 230,162	\$ 64,242
Tuition to Other LEAs Within the State - Special	169,624	158,296	327,920	236,912	91,008
Tuition to County Voc. School Dist. - Regular	350,000	10,465	360,465	319,667	40,798
Tuition to CSSD & Regional Day Schools	1,273,127	146,084	1,419,211	1,389,973	29,238
Tuition to Private Schools for the Disabled - Within State	2,913,573	532,584	3,446,157	3,261,301	184,856
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	535,330	(125,349)	409,981	365,283	44,698
Tuition - State Facilities	100,000	(4,063)	95,937	95,417	520
Tuition - Other	130,000	(87,009)	42,991	42,739	252
Total Undistributed Expenditures - Instruction	5,621,654	775,412	6,397,066	5,941,454	455,612
Undistributed Expend. - Attend. & Social Work					
Salaries	172,070	1,000	173,070	169,950	3,120
Other Purchased Services	2,500	(1,000)	1,500		1,500
Total Undistributed Expend. - Attend. & Social Work	174,570		174,570	169,950	4,620
Undist. Expend. - Health Services					
Salaries	2,494,742	(128,107)	2,366,635	2,346,153	20,482
Purchased Professional and Technical Services	566,000	453,798	1,019,798	906,121	113,677
Supplies and Materials	110,800	(11,335)	99,465	84,640	14,825
Other Objects		8,260	8,260	8,260	
Total Undistributed Expenditures - Health Services	3,171,542	322,616	3,494,158	3,345,174	148,984
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	2,024,170	(80,668)	1,943,502	1,928,061	15,441
Purchased Professional - Educational Services	1,331,192	87,953	1,419,145	1,381,343	37,802
Supplies and Materials	24,100	(11,990)	12,110	9,845	2,265
Other Objects		6,588	6,588	6,165	423
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	3,379,462	1,883	3,381,345	3,325,414	55,931
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	2,500	(2,500)			
Other Salaries for Instruction	1,000	(1,000)			
Supplies and Materials	4,000	(4,000)			
Other Objects	7,000	(7,000)			
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	14,500	(14,500)			
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	3,354,764	(81,782)	3,272,982	3,259,642	13,340
Salaries of Secretarial and Clerical Assistants	581,906	10,000	591,906	588,543	3,363
Purchased Professional - Educational Services	1,000		1,000		1,000
Other Purchased Services	1,750	(175)	1,575		1,575
Supplies and Materials	29,500	764	30,264	17,580	12,684
Other Objects	10,300	(420)	9,880	2,237	7,643
Total Undist. Expend. - Guidance	3,979,220	(71,613)	3,907,607	3,868,002	39,605
Undist. Expend. - Child Study Team					
Salaries of Other Professional Staff	3,029,221	(15,308)	3,013,913	2,994,181	19,732
Salaries of Secretarial and Clerical Assistants	463,744	(12,000)	451,744	437,488	14,256
Purchased Prof. - Educational Services	100,000	48,627	148,627	123,446	25,181
Other Purchased Prof. and Tech. Services	79,500	117	79,617	79,617	
Other Purchased Services		470	470	470	
Supplies and Materials	53,500	(20,839)	32,661	31,568	1,093
Other Objects	1,000	5,350	6,350	2,850	3,500
Total Undist. Expend. - Child Study Team	3,726,965	6,417	3,733,382	3,669,620	63,762
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	2,767,208	(216,450)	2,550,758	2,543,994	6,764
Salaries of Other Professional Staff	95,000	(53,300)	41,700	41,557	143
Salaries of Secretarial and Clerical Assistants	36,903	4,000	40,903	39,843	1,060
Purchased Prof. - Educational Services	10,000	4,984	14,984	14,978	6
Other Purchased Services	6,000	65	6,065	283	5,782
Supplies and Materials	11,000	(215)	10,785	1,045	9,740
Other Objects	5,000		5,000	4,040	960
Total Undist. Expend. - Improvement of Inst. Serv.	2,931,111	(260,916)	2,670,195	2,643,740	24,455

Toms River Regional Schools
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	\$ 1,738,482	\$ (54,000)	\$ 1,684,482	\$ 1,652,030	\$ 32,452
Purchased Professional & Technical Services	2,000		2,000		2,000
Other Purchased Services	5,000	(4,000)	1,000		1,000
Supplies and Materials	139,000	3,932	142,932	116,869	26,063
Total Undist. Expend. - Edu. Media Serv./Sch. Library	1,884,482	(54,068)	1,830,414	1,768,899	61,515
Undist. Expend. - Instructional Staff Training Serv.					
Salaries - Other Professional Staff	30,000	(18,000)	12,000	11,170	830
Purchased Professional - Educational Services	120,000	65,844	185,844	183,263	2,581
Supplies and Materials		2,151	2,151	2,117	34
Other Objects	5,000	(1,996)	3,004	1,192	1,812
Total Undist. Expend. - Instructional Staff Training Serv.	155,000	47,999	202,999	197,742	5,257
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	1,336,334	(71,349)	1,264,985	1,262,388	2,597
Legal Services	325,000	299,771	624,771	624,748	23
Audit Fees	90,000	10,000	100,000	97,000	3,000
Architectural/Engineering Services	90,000	184,882	274,882	48,829	226,053
Other Purchased Professional Services	95,000	(49,315)	45,685	36,350	9,335
Communications/Telephone	379,000	231,315	610,315	571,998	38,317
Board of Education Other Purchased Services	7,500	1,400	8,900	2,831	6,069
Miscellaneous Purchased Services	624,547	(111,188)	513,359	470,897	42,462
General Supplies	21,500	765	22,265	10,313	11,952
Board of Education In-House Training/Meeting Supplies	5,000		5,000	3,223	1,777
Judgements Against the School District	40,000	(11,933)	28,067	28,000	67
Miscellaneous Expenditures	60,230	(11,975)	48,255	44,761	3,494
Board of Education Dues and Fees	28,000		28,000	26,663	1,337
Total Undist. Expend. - Supp. Serv. - General Admin.	3,102,111	472,373	3,574,484	3,228,001	346,483
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	5,008,361	132,723	5,141,084	5,130,419	10,665
Salaries of Secretarial and Clerical Assistants	2,644,789	(50,902)	2,593,887	2,581,792	12,095
Travel	2,000	(1,300)	700		700
Supplies and Materials	57,500	30,158	87,658	75,938	11,720
Other Objects	124,600	11,784	136,384	112,064	24,320
Total Undist. Expend. - Support Serv. - School Admin.	7,837,250	122,463	7,959,713	7,900,213	59,500
Undist. Expend. - Central Services					
Salaries	2,203,212	(40,172)	2,163,040	2,151,777	11,263
Purchased Professional Services	10,000	11,571	21,571	21,571	
Purchased Technical Services	20,000	528	20,528	18,524	2,004
Misc Purchased Services	50,800	(1,886)	48,914	26,640	22,274
Supplies and Materials	84,990	(28,881)	56,109	41,213	14,896
Miscellaneous Expenditures	21,750	(2,034)	19,716	11,545	8,171
Total Undist. Expend. - Central Services	2,390,752	(60,874)	2,329,878	2,271,270	58,608
Undist. Expend. - Technology Admin.					
Salaries	1,087,525	(33,100)	1,054,425	1,050,880	3,545
Purchased Professional Services	29,000	3,666	32,666	32,665	1
Purchased Technical Services	243,800	(15,571)	228,229	215,979	12,250
Other Purchased Services	100,150	30,415	130,565	116,591	13,974
Rentals	31,500		31,500	30,263	1,237
Travel		589	589	589	
Supplies and Materials	81,900	60,752	142,652	76,093	66,559
Other Objects	3,000		3,000	1,435	1,565
Total Undist. Expend. - Technology Admin.	1,576,875	46,751	1,623,626	1,524,495	99,131
Undist. Expend. - Required Maint. for Sch. Facil.					
Salaries	2,229,729	(77,967)	2,151,762	2,151,204	558
Cleaning, Repair and Maintenance Services	590,300	510,999	1,101,299	837,075	264,224
General Supplies	625,000	(57,157)	567,843	475,540	92,303
Other Objects	22,500	1,406	23,906	20,914	2,992
Total Undist. Expend. - Required Maint. for Sch. Facil.	3,467,529	377,281	3,844,810	3,484,733	360,077

Toms River Regional Schools
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$ 5,786,263	\$ (387,203)	\$ 5,399,060	\$ 5,341,574	\$ 57,486
Salaries of Non-Instructional Aides	412,553	(38,015)	374,538	366,667	7,871
Cleaning, Repair and Maintenance Services	333,200	41,145	376,345	352,716	23,629
Other Purchased Property Services	475,000	(21,871)	453,129	445,467	7,662
Insurance	644,591	467,100	1,111,691	1,110,120	1,571
Travel	1,500	(600)	900		900
Miscellaneous Purchased Services	25,000	(24,500)	500		500
General Supplies	405,000	(92,791)	312,209	284,900	27,309
Natural Gas	910,000	(114,000)	796,000	795,614	386
Electricity	2,600,000	(232,248)	2,367,752	2,358,087	9,665
Other Objects	48,000	(30,920)	17,080	14,151	2,929
Total Undist. Expend. - Custodial Services	11,643,107	(433,903)	11,209,204	11,069,296	139,908
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	869,510	(111,605)	757,905	753,266	4,639
Cleaning, Repair and Maintenance Services	110,000	4,009	114,009	33,661	80,348
General Supplies	250,000	7,352	257,352	194,774	62,578
Other Objects	20,000	(16,260)	3,740	3,740	
Total Undist. Expend. - Care and Upkeep of Grounds	1,249,510	(116,504)	1,133,006	985,441	147,565
Undist. Expend. - Security					
Salaries	1,022,467	37,820	1,060,287	1,057,365	2,922
Cleaning, Repair and Maintenance Services	25,000	(25,000)			
General Supplies	30,000	(13,773)	16,227	15,004	1,223
Other Objects	12,500	(9,987)	2,513	1,049	1,464
Total Undist. Expend. - Security	1,089,967	(10,940)	1,079,027	1,073,418	5,609
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Between Home & School) - Regular	5,054,480	(164,491)	4,889,989	4,888,384	1,605
Salaries for Pupil Trans. (Between Home & School) - Sp. Ed.	2,782,737	(165,079)	2,617,658	2,616,884	774
Salaries for Pupil Trans. Other than Between Home & School	150,000	85,073	235,073	235,073	
Other Purchased Professional and Technical Services	4,000		4,000	182	3,818
Cleaning, Repair & Maintenance Services	31,000	7,887	38,887	35,526	3,361
Lease Purchase Payments-School Buses	576,000	4,338	580,338	580,336	2
Contracted Services Aid In Lieu of Payment for Non-public School Students	220,000	228,574	448,574	446,853	1,721
Contracted Services (Between Home and School) - Vendors	425,000	180,363	605,363	504,796	100,567
Contracted Services (Other than Between Home and School) - Vendors	25,000	(19,086)	5,914	4,542	1,372
Contracted Services (Between Home and School) - Joint Agreements	10,000	(1,962)	8,038	7,501	537
Contracted Services (Sp. Ed.) - Vendors	1,300,000	516,651	1,816,651	1,609,945	206,706
Contracted Services (Sp. Ed.) - Joint Agreements	80,000	(44,877)	35,123	26,426	8,697
Contracted Services (Regular Students) - ESCs	12,500	(12,500)			
Contracted Services (Special Education Students) - ESCs	125,000	238,798	363,798	289,778	74,020
Miscellaneous Purchased Services - Transportation	150,000	(98,616)	51,384	49,503	1,881
General Supplies	41,110	(18,832)	22,278	20,103	2,175
Transportation Supplies	675,000	(24,806)	650,194	611,816	38,378
Other Objects	1,335,000	(290,843)	1,044,157	1,034,592	9,565
Total Undist. Expend. - Student Transportation Serv.	12,996,827	420,592	13,417,419	12,962,240	455,179
Unallocated Benefits					
Social Security Contributions	2,968,091	(293,022)	2,675,069	2,674,165	904
TPAF Contributions ERIP	120,000	(31,050)	88,950	88,870	80
Other Retirement Contributions - PERS	4,075,688	(269,160)	3,806,528	3,801,106	5,422
Other Retirement Contributions - Deferred PERS Payment	163,538	(11,453)	152,085	150,558	1,527
Workmen's Compensation	1,840,501	2,025,454	3,865,955	3,860,238	5,717
Health Benefits	46,062,419	(135,051)	45,927,368	45,832,623	94,745
Tuition Reimbursement	60,000	(33,068)	26,932	25,695	1,237
Other Employee Benefits	2,128,682	239,509	2,368,191	2,293,430	74,761
Total Unallocated Benefits	57,418,919	1,492,159	58,911,078	58,726,685	184,393
On-behalf Contributions					
TPAF Pension Contributions (On-behalf - Non-Budgeted)				13,655,802	(13,655,802)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				8,819,992	(8,819,992)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				17,226	(17,226)
Reimbursed TPAF Social Security Contributions (non-budgeted)				6,765,533	(6,765,533)
Total On-behalf Contributions				29,258,553	(29,258,553)
TOTAL UNDISTRIBUTED EXPENDITURES	127,811,353	3,062,628	130,873,981	157,416,340	(26,542,359)
TOTAL GENERAL CURRENT EXPENSE	225,117,464	1,213,031	226,330,495	251,324,206	(24,993,711)

Toms River Regional Schools
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs-Instruction:					
Grades 1-5	\$ 10,000	\$ (312)	\$ 9,688	\$ 3,238	\$ 6,450
Grades 6-8	15,000		15,000		15,000
Grades 9-12	25,000	8,387	33,387	8,387	25,000
Special Education-Instruction:					
Multiple Disabilities	8,000	17,894	25,894	25,893	1
Autism	4,000	(4,000)			
Preschool Disabilities - Part Time	4,000	750	4,750	4,750	
School- Spons. & Other Instruction Program	9,000	22,105	31,105	18,452	12,653
Undistributed Expenditures:					
Undistributed Exp.-Instruction		3,000	3,000		3,000
Support Services - Instructional Staff	6,000		6,000	3,150	2,850
Support Services - Related Services	15,000	(15,000)			
General Administration		2,002	2,002	2,002	
School Administration	18,000		18,000		18,000
Central Services	8,000	18,675	26,675	6,436	20,239
Admin info Tech	10,000	21,024	31,024	10,828	20,196
Undistributed Exp.-Req. Maint. of School Facilities	20,000	(7,066)	12,934	12,923	11
Undistributed Exp.-Custodial Services	25,000	6,380	31,380	20,377	11,003
Undistributed Exp.-Care and Upkeep of Grounds	20,000	30,920	50,920		50,920
Undistributed Exp.-Security	20,000	(20,000)			
Undistributed Exp.-Non-Instructional Services					
Non-Instructional Equipment	40,000	22,518	62,518	61,836	682
School buses-special		170,103	170,103	170,103	
Total Equipment	257,000	277,380	534,380	348,375	186,005
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		623,383	623,383	161,363	462,020
Other Purchased Professional & Technical Services		8,500	8,500	8,481	19
Construction Services	500,000	497,305	997,305	643,100	354,205
Other Objects - Debt Service Assessment	371,261		371,261	371,261	
Total Facilities Acquisition and Construction Services	871,261	1,129,188	2,000,449	1,184,205	816,244
Assets acquired under capital leases (non budgeted)				2,845,573	(2,845,573)
TOTAL CAPITAL OUTLAY	1,128,261	1,406,568	2,534,829	4,378,153	(1,843,324)
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	40,000		40,000	31,394	8,606
General Supplies	500		500	329	171
Other Objects	1,000		1,000	72	928
Total Instruction	41,500		41,500	31,795	9,705
Total Summer School	41,500		41,500	31,795	9,705
TOTAL SPECIAL SCHOOLS	41,500		41,500	31,795	9,705
TOTAL EXPENDITURES	226,287,225	2,619,599	228,906,824	255,734,154	(26,827,330)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(3,477,952)	(2,619,599)	(6,097,551)	(1,340,076)	4,757,475
Other Financing Sources (Uses):					
Capital lease proceeds				2,845,573	2,845,573
Transfer In	112,280		112,280	191,737	79,457
Transfer Out	(455,910)		(455,910)	(455,910)	
Total Other Financing Sources (Uses)	(343,630)		(343,630)	2,581,400	2,925,030
Extraordinary Item- Restitution proceeds				7,616	7,616
(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Sources (Uses) and Extraordinary Item	(3,821,582)	(2,619,599)	(6,441,181)	1,248,940	7,690,121
Fund Balance, July 1	23,721,747		23,721,747	23,721,747	
Fund Balance, June 30	\$ 19,900,165	\$ (2,619,599)	\$ 17,280,566	\$ 24,970,687	\$ 7,690,121

General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Final to</u> <u>Actual</u>
Recapitulation of (Deficiency) Excess of Revenues and					
Other Financing Sources (uses) (Under) Over Expenditures:					
Budgeted Fund Balance	\$ (1,200,000)		\$ (1,200,000)	\$ 4,891,322	\$ 6,091,322
Adjustment for Prior Year Encumbrances		\$ (2,619,599)	(2,619,599)	(2,619,599)	
Withdrawal Capital Reserve	(755,910)		(755,910)	(755,910)	
Withdrawal Maintenance Reserve	(2,000,000)		(2,000,000)	(2,000,000)	
Interest earned on Maintenance Reserve	9,100		9,100	9,100	
Interest earned on Emergency Reserve	2,450		2,450	2,450	
Interest earned on Capital Reserve	10,500		10,500	10,500	
Increase in Capital Reserve	112,278		112,278	1,711,077	1,598,799
Total	\$ (3,821,582)	\$ (2,619,599)	\$ (6,441,181)	\$ 1,248,940	\$ 7,690,121
 Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				\$ 1,573,524	
Excess Surplus-current year				590,534	
Capital Reserve				4,776,098	
Capital Reserve (utilized in subsequent year's budget)				430,000	
Maintenance Reserve				4,596,820	
Maintenance Reserve (utilized in subsequent year's budget)				2,600,000	
Emergency Reserve				709,865	
Assigned to:					
Additional Assigned Fund Balance Designated for Subsequent Year's Expenditures				1,157,955	
Designated for Subsequent Year's Expenditures				226,476	
Year End Encumbrances				3,003,551	
Unassigned Fund Balance				<u>5,305,864</u>	
				24,970,687	
 Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Final State Aid Payments Not Realized on GAAP Basis				(6,608,871)	
Solar Renewable Energy Credit Revenue Realized on GAAP Basis				<u>62,930</u>	
Fund balance per Government Funds (GAAP)				<u>\$ 18,424,746</u>	

Toms River Regional School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Federal Sources	\$ 5,538,052	\$ 2,016,990	\$ 7,555,042	\$ 7,007,117	\$ (547,925)
State Sources	992,610	165,444	1,158,054	881,346	(276,708)
Local Sources	1,714,266	(1,018,561)	695,705	454,876	(240,829)
Total revenues	<u>8,244,928</u>	<u>1,163,873</u>	<u>9,408,801</u>	<u>8,343,339</u>	<u>(1,065,462)</u>
Expenditures:					
Instruction:					
Salaries of teachers	503,403	1,208,553	1,711,956	1,706,151	5,805
Other salaries for instruction		54,343	54,343	21,731	32,612
Purchased professional and technical serv		12,090	12,090	840	11,250
Purchased professional educational services	39,438	90,214	129,652	59,552	70,100
Cleaning, repair and maintenance		54,387	54,387	47,120	7,267
Other purchased professional services	78,034	58,734	136,768	124,057	12,711
Contracted services - vendors		201	201		201
Tuition	3,270,565	290,599	3,561,164	3,561,164	
Travel		7,346	7,346	3,141	4,205
General supplies	3,478,350	(2,780,681)	697,669	430,806	266,863
Textbooks	86,670	(10,799)	75,871	75,278	593
Other objects		21,746	21,746	16,868	4,878
Total instruction	<u>7,456,460</u>	<u>(993,267)</u>	<u>6,463,193</u>	<u>6,046,708</u>	<u>416,485</u>
Support services:					
Salaries of other professional staff		43,470	43,470	42,586	884
Personal services—employee benefits		746,556	746,556	743,453	3,103
Purchased professional educational services	788,468	664,489	1,452,957	1,021,663	431,294
Contracted services - vendors		4,986	4,986	4,758	228
Travel		86	86		86
Supplies and materials		20,460	20,460	18,520	1,940
Other objects		393,813	393,813	253,975	139,838
Total support services	<u>788,468</u>	<u>1,873,860</u>	<u>2,662,328</u>	<u>2,084,955</u>	<u>577,373</u>
Facilities acquisition and construction services:					
Instructional equipment		97,976	97,976	26,372	71,604
Non-instructional equipment		181,304	181,304	181,304	
Total facilities acquisition and construction services		<u>279,280</u>	<u>279,280</u>	<u>207,676</u>	<u>71,604</u>
Other financing uses:					
Transfer out		(4,000)	(4,000)	(4,000)	
Total expenditures	<u>8,244,928</u>	<u>1,163,873</u>	<u>9,408,801</u>	<u>8,343,339</u>	<u>1,065,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Toms River Regional School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2018

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 254,394,078	\$ 8,343,339
Differences - Budgetary to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year		312,391
Current year		(521,308)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	6,728,281	
Current year	(6,608,871)	
Adjustment to record the value of Solar Renewable Energy Credits (SREC) income on the modified accrual basis		
	62,930	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)		
	\$ 254,576,418	\$ 8,134,422
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 255,734,154	\$ 8,343,339
Differences - Budgetary to GAAP:		
Transfer to food service enterprise fund		
		(4,000)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Prior year		312,391
Current year		(521,308)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)		
	\$ 255,734,154	\$ 8,130,422

APPENDIX C

FORM OF APPROVING LEGAL OPINION

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_____, 2019

The Board of Education of the
Toms River Regional School District
in the County of Ocean, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of The Toms River Regional School District in the County of Ocean, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$147,148,000 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 December 19, 2018 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on January 22, 2019, and (iii) a resolution duly adopted by the Board of Education on May 15, 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,