

OFFICIAL STATEMENT DATED DECEMBER 9, 2021

NEW ISSUE – Book-Entry Only

**Rating: S&P: “AA”
See “RATING” herein**

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

**\$14,460,000
SCHOOL BONDS, SERIES 2021
THE BOARD OF EDUCATION OF THE
FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
IN THE COUNTY OF MONMOUTH, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

CALLABLE

Dated: Date of Delivery

Due: August 15, as shown on inside cover

The \$14,460,000 aggregate principal amount of School Bonds, Series 2021 (the “Bonds”) of The Board of Education of the Freehold Regional High School District in the County of Monmouth, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. See “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of February and August in each year, commencing August 15, 2022, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding August 1 and February 1 (the “Record Dates” for the payment of interest on the Bonds).

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by Comegno Law Group, P.C., Moorestown, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about December 21, 2021.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

\$14,460,000
THE BOARD OF EDUCATION OF THE
FREEHOLD REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF MONMOUTH, NEW JERSEY
SCHOOL BONDS, SERIES 2021

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

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

<u>Maturity</u> <u>(August 15)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers*</u>
2022	\$490,000	0.050%	0.500%	356478HZ3
2023	570,000	1.500	0.350	356478JA6
2024	585,000	1.500	0.500	356478JB4
2025	600,000	1.500	0.650	356478JC2
2026	615,000	2.000	0.800	356478JD0
2027	635,000	2.000	1.000	356478JE8
2028	650,000	2.000	1.100	356478JF5
2029	670,000	2.000	1.250**	356478JG3
2030	690,000	2.000	1.400**	356478JH1
2031	705,000	2.000	1.500**	356478JJ7
2032	725,000	2.000	1.620**	356478JK4
2033	745,000	2.000	1.750**	356478JL2
2034	770,000	2.000	1.870**	356478JM0
2035	790,000	2.000	2.000	356478JN8
2036	810,000	2.000	2.030	356478JP3
2037	835,000	2.000	2.060	356478JQ1
2038	860,000	2.000	2.090	356478JR9
2039	880,000	2.125	2.125	356478JS7
2040	905,000	2.125	2.150	356478JT5
2041	930,000	2.125	2.180	356478JU2

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

** Priced at stated yield to the first optional redemption date of August 15, 2028 at the redemption price of 100%.

**THE BOARD OF EDUCATION OF THE
FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
IN THE COUNTY OF MONMOUTH, NEW JERSEY**

BOARD MEMBERS

President – Peter Bruno
Vice President – Marc Parisi

Diana Cappiello
Debra Fanelli
Elizabeth Higley
Kathie Lavin
Michael Messinger
Heshy Moses
Adam Weiss

SUPERINTENDENT

Dr. Charles B. Sampson

**ASSISTANT SUPERINTENDENT FOR BUSINESS
ADMINISTRATION/BOARD SECRETARY**

Sean Boyce

BOARD ATTORNEY

Comegno Law Group, P.C.
Moorestown, New Jersey

BOARD AUDITOR

Suplee, Clooney & Company
Westfield, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

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

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

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

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

OF

THE BOARD OF EDUCATION OF THE FREEHOLD REGIONAL HIGH SCHOOL DISTRICT IN THE COUNTY OF MONMOUTH, NEW JERSEY

\$14,460,000

SCHOOL BONDS, SERIES 2021

(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)

CALLABLE

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Freehold Regional High School District in the County of Monmouth, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$14,460,000 aggregate principal amount of School Bonds, Series 2021 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Assistant Superintendent for Business Administration/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated their date of delivery and shall mature on August 15 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the fifteenth day of February and August (each an "Interest Payment Date"), commencing on August 15, 2022, in each of the years and at the interest rates set forth on the inside cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each August 1 and February 1 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

Redemption

The Bonds of this issue maturing prior to August 15, 2029 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after August 15, 2029 are redeemable at the option of the Board in whole or in part on any date on or after August 15, 2028 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption

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

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

Security for the Bonds

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

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

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

amendments to the Act provide that the Fund will be divided into two (2) 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 one and one-half percent (1.5%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to one percent (1%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

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

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

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to (i) Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board pursuant to a resolution adopted on August 26, 2021, and approved by the affirmative vote of a majority of the legal voters present and voting at the annual election held on November 2, 2021 and (iii) a resolution duly adopted by the Board on November 18, 2021 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of forty percent (40%) of the eligible costs of such Project. As such, the State has agreed to pay forty percent (40%) of the annual debt service on the eligible costs financed by the Bonds each year.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, as set forth on the inside cover hereof, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct and Indirect Participant and not of DTC, nor its nominee, Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board or its paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the registrar for such purposes only upon the surrender thereof to the Board or its paying agent together with the duly executed assignment in form satisfactory to the Board

or its paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board or its paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

THE SCHOOL DISTRICT AND THE BOARD

The Board is a nine (9) member board with members from the Township of Colts Neck, the Borough of Englishtown, the Borough of Farmingdale, the Borough of Freehold, the Township of Freehold, the Township of Howell, the Township of Manalapan and the Township of Marlboro (together, the "Constituent Municipalities") elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Assistant Superintendent for Business Administration/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Assistant Superintendent for Business Administration/Board Secretary reports to the Superintendent of Schools.

The School District is a Type II school district with a board of school estimate and provides a full range of educational services appropriate to grades nine (9) through twelve (12), including regular and special education programs for the Constituent Municipalities. The School District operates six (6) high schools. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities."

THE STATE'S ROLE IN PUBLIC EDUCATION

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

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey State Board of Education (the "State Board"). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that have the effect of law and that are binding upon school districts, to acquire land and other property.

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

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner with the advice and consent of the State Senate. The County Superintendent is the local representative of the Commissioner. The County Superintendent is responsible for the daily supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and

Consolidation Act, P.L. 2007, c. 63, effective April 3, 2007, the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate districts through the establishment or enlargement of regional school districts, subject to voter approval.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

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

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

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

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the two percent (2%) property tax levy cap as provided in the Tax Levy Cap Law (as hereinafter defined).

The Board conducts its annual election in November.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "CEIFA"), as amended by P.L. 2004, c. 732, effective July 1, 2004, also limited the annual increase in a school district's net budget by a spending growth limitation. The CEIFA limited the amount school districts can increase their annual current expense and capital outlay budgets (the "Spending Growth Limitations"). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (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 sixty percent (60%) at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007, 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 four percent (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 expense 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 four percent (4%) cap on the tax levy increase imposed by chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, effective 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 two percent (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 two percent (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 can bank the unused tax levy for use in any of the next three (3) 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, effective July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to overfunded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban 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 two percent (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 (1) 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 two percent (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) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district and a Type II school district with a board of school estimate), and (iii) there must be filed with the State by each municipality comprising a school district a Supplemental Debt Statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

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

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

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

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations. School districts must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

Capital Lease Financing

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

purchase payments on leases in excess of five (5) years issued under prior law are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's tax levy cap.

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grades nine (9) through twelve (12) school district, the School District can borrow up to three percent (3%) of the average equalized valuation of taxable property in the School District. The School District has not exceeded its three percent (3%) debt limit. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities."

Exceptions to Debt Limitation

A Type II school district (other than a regional district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e. the excess of three and one-half percent (3.5%) of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

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 QEA, CEIFA and EFCFA. 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, effective January 1, 2008, attempts to remove 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 fiscal year 2019 and with the enactment of P.L. 2018, c. 67, effective 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 seven (7) years and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

Notwithstanding over thirty-five (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, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid, supplemental core curriculum standards aid, distance learning network aid, bilingual 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 forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State upfront and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for fiscal years 2011 through 2021. 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 2021 budgets representing fifteen percent (15%) of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

Pursuant to P.L. 2018, c. 67, effective July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a seven (7) year transition period 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 (1) year.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such Federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

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

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

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

A municipality may sell "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as it may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

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

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

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

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

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

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

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full

membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

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

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

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

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the act is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well.

State Supervision

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

Appropriations “Cap”

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

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

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

Tax Assessment and Collection Procedure

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

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

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

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

Tax Appeals

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

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

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

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

FINANCIAL STATEMENTS

The audited financial statements of the Board as of and for the year ended June 30, 2020 together with the notes to the financial statements have been provided by Suplee, Clooney & Company, Westfield, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). See "APPENDIX B – Financial Statements of The Board of Education of the Freehold Regional High School District in the County of Monmouth, New Jersey.

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.

LITIGATION

To the knowledge of the Board Attorney, Comegno Law Group, P.C., Moorestown, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened against the Board, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the

proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX EXEMPTION

Federal Income Tax Treatment

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

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

Premium Bonds

The Bonds maturing on August 15 in the years 2023 through 2034, inclusive (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

Discount Bonds

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on August 15 in the years 2022, 2036 through 2038, inclusive, 2040 and 2041 (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

Additional Federal Income Tax Consequences Relating to Bonds

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

State Taxation

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

Prospective Tax Law Changes

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

Other Tax Consequences

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

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

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

RISK TO HOLDERS OF BONDS

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

Municipal Bankruptcy

THE BOARD HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR

THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

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

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

RECENT HEALTHCARE DEVELOPMENTS

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, then President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State of New Jersey declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which had spread throughout the State and to all counties within the State. The Governor also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which alter the behavior of businesses and people, have had and may continue to have impacts on regional, state and local economies. The declaration of the state of emergency remains in effect but the public health emergency has been lifted by the Governor and officially expired thirty (30) days from June 4, 2021 (although the Governor retains the authority to issue orders and waivers under the Emergency Health Powers Act through January 11, 2022). See <https://covid10.nj.gov> for further detail regarding the impact of COVID-19 on the State and the Governor's various executive orders.

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, the Governor signed into law P.L. 2020, c. 74 ("Chapter 74") on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): Specifically, Chapter 74 authorizes special emergency appropriations for: (1) direct COVID-19 response expenses; and (2) deficits in prior year's operations attributable to COVID-19 (the beginning of the five year repayment

schedule is delayed by one year for these new purposes). Upon approval by the Director of the Division of Local Government Services, New Jersey Department of Community Affairs, in cases of significant fiscal distress, the five (5) year period may be extended to up to ten (10) years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five (5) year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings related to the COVID-19 pandemic. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19. The Board does not expect to issue temporary notes in order to address any financial impacts caused by the COVID-19 pandemic.

AMERICAN RESCUE PLAN ACT OF 2021

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to a \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan, in part, provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Board.

The Board is expected to receive Federal aid under the Plan in the amount of \$5,904,476. The United States Department of Treasury will administer the Federal aid and will be disbursing the Federal aid to the State within sixty (60) days of the law's enactment. The State then has thirty (30) days to disburse the aid to its political subdivisions, including the Board.

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

The Municipal Advisor has participated in the review of this Official Statement and in the collection of financial, statistical and demographic information contained in APPENDIX A to this Official Statement but has not verified the accuracy, completeness or fairness thereof, and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

The Auditor takes responsibility for the Financial Statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

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

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

RATING

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 creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

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

UNDERWRITING

The Bonds are being purchased from the Board by Roosevelt & Cross, Inc. and Associates (the "Underwriter"), at a price of \$14,460,994.90. The purchase price of the Bonds reflects the par amount of Bonds equal to \$14,460,000.00, minus an Underwriter's discount of \$231,173.90 plus a net original issue premium of \$232,168.80. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

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

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2021 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access ("EMMA") system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "SEC Rule").

Within the five (5) years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal year ending June 30, 2018; and (ii) operating

data for the fiscal years ending June 30, 2017, 2018 and 2019. Additionally, the Board previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information and (ii) operating data, all as described above. Such notices of events and late filings have since been filed with EMMA. The Board appointed Phoenix Advisors, LLC in March of 2015 to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Assistant Superintendent for Business Administration/Board Secretary, Sean Boyce, (732) 792-7300, ext. 8519, or to Charles Anthony Solimine, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6430.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

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

**THE BOARD OF EDUCATION OF THE FREEHOLD
REGIONAL HIGH SCHOOL DISTRICT IN THE COUNTY OF
MONMOUTH, NEW JERSEY**

/s/ Sean Boyce

**SEAN BOYCE,
Assistant Superintendent for Business Administration/
Board Secretary**

DATED: December 9, 2021

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APPENDIX A

Certain Economic and Demographic Information Relating to the School District and the Constituent Municipalities

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INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

The Freehold Regional School District (the “School District”) is comprised of six (6) regional high schools providing a full-range of educational services appropriate to grade levels nine (9) through twelve (12).

The School District is a Type II limited purpose regional school district that serves the Township of Colts Neck (“Colts Neck”), the Borough of Englishtown (“Englishtown”), the Borough of Farmingdale (“Farmingdale”), the Borough of Freehold (“Freehold Borough”), the Township of Freehold (“Freehold Township”), the Township of Howell (“Howell”), the Township of Manalapan (“Manalapan”), and the Township of Marlboro (“Marlboro”, collectively, the “Constituent Municipalities”). The School District was formed pursuant to Chapter 13 of Title 18A of New Jersey Statutes, which authorizes two or more municipalities to create a regional school district upon the approval of the voters of each of said municipalities.

The 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. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

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

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

Description of Facilities

The Board presently operates the following school facilities:

Facility	Construction Date	Grade Level	Student Enrollment (As of 6/30/20)
Colts Neck High School	1998	9-12	1,328
Freehold Borough High School	1954	9-12	1,357
Freehold Township High School	1968	9-12	2,021
Howell High School	1962	9-12	2,082
Manalapan High School	1968	9-12	1,850
Marlboro High School	1966	9-12	1,811

Source: Comprehensive Annual Financial Report of the School District

¹ Source: The Board, unless otherwise indicated.

Staff

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Teaching Professionals	769	788	788	804	800
Support Staff	536	550	535	552	548
Total Full & Part Time Employees	<u>1,305</u>	<u>1,338</u>	<u>1,323</u>	<u>1,355</u>	<u>1,348</u>

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

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

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2019-2020	10,449
2018-2019	10,533
2017-2018	10,669
2016-2017	10,813
2015-2016	10,966

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 2021-22 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 2021-2022 fiscal year is \$197,700,199. The major sources of revenue are \$143,186,894 from the local tax levy and \$36,849,968 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>% Increase in Taxes</u>
2021-2022	\$143,186,894	\$197,700,199	2.00%
2020-2021	140,379,308	197,753,851	2.00%
2019-2020	137,626,773	200,425,519	2.50%
2018-2019	134,270,320	200,370,418	2.00%
2017-2018	131,637,569	196,483,347	2.72%

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, 2016 through June 30, 2020 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$137,626,773	\$134,270,320	\$131,637,569	\$128,147,673	\$125,634,974
Other Local Revenue	<u>1,134,988</u>	<u>1,214,420</u>	<u>668,147</u>	<u>2,312,438</u>	<u>1,071,300</u>
Total revenues-local sources	138,761,761	135,484,740	132,305,716	130,460,111	126,706,274
State Sources	77,972,453	80,623,254	78,434,074	75,583,797	72,472,853
Federal Sources	<u>120,525</u>	<u>111,351</u>	<u>119,733</u>	<u>147,204</u>	<u>155,496</u>
Total Revenues	\$216,854,739	\$216,219,345	\$210,859,523	\$206,191,112	\$199,334,623
EXPENDITURES					
General Fund:					
Instruction	\$75,519,241	\$75,588,820	\$75,290,948	\$75,112,219	\$74,409,748
Undistributed Expenditures	134,006,808	138,068,700	135,594,204	129,726,616	122,983,960
Capital Outlay	<u>1,835,267</u>	<u>1,962,583</u>	<u>3,593,664</u>	<u>4,039,710</u>	<u>4,611,508</u>
Total Expenditures	211,361,316	215,620,103	214,478,816	208,878,545	202,005,216
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	5,493,423	599,242	(3,619,293)	(2,687,433)	(2,670,593)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	1,415,946	2,078,988	2,511,142	1,648,018
Transfers in	0	3,677	3,989	699	0
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,998,952)</u>
Total other financing sources (uses)	0	1,419,623	2,082,977	2,511,841	(350,934)
Net Change in Fund Balance	5,493,423	2,018,865	(1,536,316)	(175,592)	(3,021,527)
Fund Balance, July 1	<u>28,130,955</u>	<u>26,112,090</u>	<u>27,648,406</u>	<u>27,823,998</u>	<u>30,845,525</u>
Fund Balance, June 30	<u><u>\$33,624,378</u></u>	<u><u>\$28,130,955</u></u>	<u><u>\$26,112,090</u></u>	<u><u>\$27,648,406</u></u>	<u><u>\$27,823,998</u></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, 2020, the Board has six (6) capital leases outstanding with payments due through year ending June 30, 2031, totaling \$20,000,632.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2020, the Board has operating leases outstanding with payments due through year ending June 30, 2024, totaling \$257,126.

Source: Comprehensive Annual Financial Report of the School District

Short Term Debt

As of June 30, 2020, the Board has no short-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Long Term Debt

As of June 30, 2020, the Board has no long-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 3% of the average equalized valuation for the past three years (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations” herein). The following is a summation of the Board’s debt limitation as of June 30, 2020:

Average Equalized Real Property Valuation (2018, 2019, and 2020)	\$34,534,289,723
School District Debt Analysis	
Permitted Debt Limitation (3% of AEVP)	\$1,036,028,692
Less: Bonds and Notes Authorized and Outstanding	<u>0</u>
Remaining Limitation of Indebtedness	\$1,036,028,692
Percentage of Net School Debt to Average Equalized Valuation	0.00%

Source: Comprehensive Annual Financial Report of the School District

INFORMATION REGARDING THE TOWNSHIP OF COLTS NECK¹

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

General Information

The Township was first incorporated as Atlantic Township on February 18, 1847 from portions of the Townships of Freehold, Middletown and Shrewsbury. Township residents later elected to change the name of the community to Colts Neck, in 1962.

Located in the central region of the State and comprised of a total area of 31.8 square miles, the Township is characterized as a residential, farming and horse breeding community. The Township’s location provides access to the Jersey Shore and the metropolitan area of New York City, via various roadways including Route 18, Route 34 and the Garden State Parkway.

Neighboring municipalities include the Townships of Holmdel and Middletown to the north, the Borough of Tinton Falls to the east, the Townships of Howell and Wall to the south and the Townships of Marlboro and Freehold to the west.

Form of Government

The Township is governed by a Township Committee consisting of five (5) members elected to three (3) year terms. The Mayor is chosen and appointed yearly by the Township Committee. The Mayor and Township Committee constitute the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the purpose of conducting Township business. The chief executive officer of the Township is the Township's full-time Administrator who is assisted in the administration of the Township by the Chief Financial Officer and staff.

Pension and Retirement Systems

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

¹ Source: The Township, unless otherwise indicated.

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

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2020	4,454	4,100	354	7.9%
2019	4,506	4,390	116	2.6%
2018	4,448	4,323	125	2.8%
2017	4,452	4,307	145	3.3%
2016	4,477	4,313	164	3.7%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$176,280	\$99,733	\$82,545
Median Family Income	208,090	124,778	102,260
Per Capita Income	77,055	51,700	42,745

Source: US Bureau of the Census, 2019 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>
2020	9,957	-1.8%	643,615	2.1%	9,288,994	5.7%
2010	10,142	-17.8	630,380	2.5	8,791,894	4.5
2000	12,331	44.1	615,301	11.2	8,414,350	8.9
1990	8,559	8.5	553,124	9.9	7,730,188	5.0
1980	7,888	35.6	503,173	8.9	7,365,001	2.7

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2020</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Trump National Golf Club	\$32,006,800	1.07%
Due Process Golf & Horse Stables	19,941,700	0.66%
Wellspring Stables Florida, LLC	11,524,500	0.38%
G&F Realty of Richmond, LLC	10,889,400	0.36%
Individual Taxpayer 1	9,489,900	0.32%
Individual Taxpayer 2	7,803,400	0.26%
Pegasus Properties LLC	7,542,200	0.25%
Individual Taxpayer 3	6,060,600	0.20%
36 Highway 34 South Associates I	5,609,700	0.19%
Colts Neck Shopping Center Asso	<u>5,566,800</u>	<u>0.19%</u>
Total	<u>\$116,435,000</u>	<u>3.88%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$53,226,391	\$52,745,088	99.10%
2019	53,542,230	52,921,230	98.84%
2018	53,904,736	53,097,706	98.50%
2017	53,351,582	52,710,557	98.80%
2016	52,089,020	51,363,980	98.61%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2020	\$20,238	\$479,997	\$500,235	0.94%
2019	19,194	614,815	634,009	1.18%
2018	18,152	716,503	734,655	1.36%
2017	42,962	659,279	702,241	1.32%
2016	37,838	645,413	683,251	1.31%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$169,000
2019	169,000
2018	169,000
2017	169,000
2016	169,000

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2021	\$0.281	\$0.813	\$0.374	\$0.278	\$1.746
2020	0.272	0.812	0.394	0.286	1.764
2019	0.272	0.776	0.423	0.290	1.761
2018	0.270	0.761	0.446	0.298	1.775
2017	0.262	0.749	0.466	0.292	1.769

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>
2021	\$3,076,228,200	\$3,301,028,222	93.19%	\$4,486,457	\$3,305,514,679
2020	3,000,128,500	3,102,832,247	96.69	4,445,891	3,107,278,138
2019	3,021,437,200	3,044,575,977	99.24	4,241,007	3,048,816,984
2018	3,021,200,000	3,075,951,945	98.22	3,876,763	3,079,828,708
2017	2,995,440,900	3,044,979,488	98.48	3,077,794	3,048,057,282

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>
2021	\$35,294,400	\$2,660,186,500	\$211,112,000	\$169,635,300	\$0	\$0	\$3,076,228,200
2020	34,048,800	2,575,335,800	223,258,500	167,485,400	0	0	3,000,128,500
2019	35,878,300	2,583,155,800	239,703,700	162,699,400	0	0	3,021,437,200
2018	39,970,600	2,574,100,700	245,649,100	161,479,600	0	0	3,021,200,000
2017	41,407,700	2,552,994,800	236,150,800	164,887,600	0	0	2,995,440,900

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$1,316,000	\$1,450,000	\$1,600,000	\$1,600,000	\$2,400,000
Miscellaneous Revenues	2,577,951	2,555,118	2,543,254	2,283,758	2,595,224
Receipts from Delinquent Taxes	500,000	500,000	500,000	400,000	400,000
Amount to be Raised by Taxation	<u>7,478,474</u>	<u>7,787,378</u>	<u>7,852,955</u>	<u>7,812,122</u>	<u>8,281,732</u>
Total Revenue:	<u>\$11,872,425</u>	<u>\$12,292,496</u>	<u>\$12,496,209</u>	<u>\$12,095,880</u>	<u>\$13,676,956</u>
<u>Appropriations</u>					
General Appropriations	\$7,765,975	\$8,059,957	\$7,896,068	\$7,777,346	\$10,033,738
Operations (Excluded from CAPS)	338,445	452,457	328,997	345,567	391,846
Deferred Charges and Statutory Expenditures	1,240,248	1,013,207	1,023,460	1,102,656	63,845
Judgments	0	0	0	0	0
Capital Improvement Fund	293,300	527,050	800,000	345,000	150,000
Municipal Debt Service	1,234,457	1,239,826	1,447,683	1,525,311	2,037,527
Reserve for Uncollected Taxes	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Appropriations:	<u>\$11,872,425</u>	<u>\$12,292,496</u>	<u>\$12,496,209</u>	<u>\$12,095,880</u>	<u>\$13,676,956</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.

Fund Balance - Current Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$3,811,831	\$2,400,000
2019	3,018,907	1,600,000
2018	2,488,288	1,600,000
2017	2,333,448	1,450,000
2016	1,976,265	1,316,000

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2020

General Purpose Debt

Serial Bonds	\$27,641,000
Bond Anticipation Notes	13,268,948
Bonds and Notes Authorized but Not Issued	919,202
Other Bonds, Notes and Loans	10,969
Total:	<u>\$41,840,119</u>

Local School District Debt

Serial Bonds	\$10,080,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$10,080,000</u>

Regional School District Debt

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

Self-Liquidating Debt

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

TOTAL GROSS DEBT

	<u>\$51,920,119</u>
Less: Statutory Deductions	
General Purpose Debt	\$13,683,825
Local School District Debt	10,080,000
Regional School District Debt	0
Self-Liquidating Debt	0
Total:	<u>\$23,763,825</u>

TOTAL NET DEBT

	<u>\$28,156,294</u>
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Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$10,080,000	100.00%	\$10,080,000
Regional School District	0	8.90%	0
County	1,283,315,000	2.30%	<u>29,529,615</u>
Net Indirect Debt			\$39,609,615
Net Direct Debt			<u>28,156,294</u>
Total Net Direct and Indirect Debt			<u>\$67,765,909</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$3,074,453,390
Permitted Debt Limitation (3 1/2%)	107,605,869
Less: Net Debt	<u>28,156,294</u>
Remaining Borrowing Power	<u>\$79,449,575</u>
Percentage of Net Debt to Average Equalized Valuation	0.916%
 Gross Debt Per Capita based on 2020 population of 9,957	 \$5,214
Net Debt Per Capita based on 2020 population of 9,957	\$2,828

Source: Annual Debt Statement of the Township

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

INFORMATION REGARDING THE BOROUGH OF ENGLISHTOWN¹

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

General Information

The Borough was incorporated in 1888, from portions of the Township of Manalapan. It comprises less than a square mile of total area and is completely surrounded by the Township of Manalapan. The Borough is a primarily residential community, located in the central portion of the State, in the western portion of the County. It is approximately 20 miles from the Jersey Shore and 45 miles south of New York City.

Form of Government

The Borough operates under the Borough form of State municipal government. The governing body consists of a Mayor and a Borough Council, all of whom are elected at-large. The Mayor is elected directly by the voters to serve a four-year term. The Borough Council consists of six (6) members elected to serve three-year terms, on a staggered basis, with two seats open for election each year. The Borough Council acts as the governing body of the Borough. The Mayor presides over all meetings, retains veto power over certain resolutions and ordinances, and is permitted to vote only in the event of a tie.

Pension and Retirement Systems

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

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

¹ Source: The Borough, unless otherwise indicated.

required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

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

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

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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>				
2020	1,072	965	107	10.0%
2019	1,064	1,034	30	2.8%
2018	1,054	1,018	36	3.4%
2017	1,058	1,014	44	4.2%
2016	1,062	1,014	48	4.5%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$92,667	\$99,733	\$82,545
Median Family Income	111,250	124,778	102,260
Per Capita Income	38,289	51,700	42,745

Source: US Bureau of the Census, 2019 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>
2020	2,346	27.02%	643,615	2.10%	9,288,994	5.65%
2010	1,847	4.71	630,380	2.45	8,791,894	4.49
2000	1,764	39.12	615,301	11.24	8,414,350	8.85
1990	1,268	29.92	553,124	9.93	7,730,188	4.96
1980	976	-6.87	503,173	8.95	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>2020</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Stamford Square LLC	\$14,641,900	5.55%
BAL Governor's Crossing LLC	5,096,000	1.93%
Three Corners Venturs LLC	4,243,500	1.61%
Village Center Associates LLC	3,753,200	1.42%
AMBE Holding, LLC	3,293,900	1.25%
Wernacs, LLC	3,025,000	1.15%
DCD LLC	2,194,600	0.83%
Brooklawn Gardens	2,134,300	0.81%
Five South Main Street LLC	2,076,900	0.79%
Degiacomo Realty LLC	<u>1,665,000</u>	<u>0.63%</u>
Total	<u>\$42,124,300</u>	<u>15.98%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$6,385,292	\$6,370,135	99.76%
2019	6,196,973	6,180,655	99.74%
2018	6,294,836	6,248,539	99.26%
2017	5,993,910	5,950,082	99.27%
2016	5,771,641	5,756,354	99.74%

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>
2020	\$1,887	\$0	\$1,887	0.03%
2019	130	34	164	0.00%
2018	106	0	106	0.00%
2017	68,958	32,943	101,901	1.70%
2016	24,224	17	24,241	0.42%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$318,800
2019	318,800
2018	521,958
2017	100
2016	100

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Regional Elementary</u>	<u>Regional High</u>	<u>County</u>	<u>Total</u>
2021	\$0.648	\$0.878	\$0.362	\$0.264	\$2.152
2020	0.631	0.906	0.403	0.286	2.226
2019	0.649	0.914	0.403	0.307	2.273
2018	0.632	0.998	0.402	0.308	2.340
2017	0.816	0.933	0.414	0.290	2.453

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>
2021	\$276,798,200	\$275,448,502	100.49%	\$0	\$275,448,502
2020	263,644,700	259,441,744	101.62	0	259,441,744
2019	256,456,600	262,789,835	97.59	0	262,789,835
2018	248,186,000	257,909,176	96.23	0	257,909,176
2017	242,809,300	253,041,801	95.93	0	253,041,801

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>
2021	\$1,315,500	\$213,226,400	\$0	\$37,974,100	\$7,939,100	\$16,343,100	\$276,798,200
2020	1,272,700	201,065,800	0	37,958,100	7,282,900	16,065,200	263,644,700
2019	1,583,000	195,430,000	0	36,867,300	6,865,300	15,711,000	256,456,600
2018	1,320,400	190,588,800	0	35,421,300	6,396,800	14,458,700	248,186,000
2017	1,348,800	185,539,900	0	36,164,600	6,453,900	13,302,100	242,809,300

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$305,000	\$300,000	\$300,000	\$400,000	\$300,000
Miscellaneous Revenues	592,268	544,919	526,364	532,069	489,383
Amount to be Raised by Taxation	<u>1,506,132</u>	<u>1,567,431</u>	<u>1,617,217</u>	<u>1,662,351</u>	<u>1,794,227</u>
Total Revenue:	<u>\$2,403,400</u>	<u>\$2,412,350</u>	<u>\$2,443,581</u>	<u>\$2,594,420</u>	<u>\$2,583,610</u>
<u>Appropriations</u>					
General Appropriations	\$1,917,646	\$1,932,120	\$2,013,150	\$2,025,460	\$2,151,535
Operations (Excluded from CAPS)	144,145	130,321	132,260	127,072	129,925
Deferred Charges and Statutory Expenditures	10,000	10,000	10,000	10,000	10,000
Capital Improvement Fund	15,000	15,000	15,000	15,000	15,000
Municipal Debt Service	209,500	211,100	153,800	303,900	157,475
Reserve for Uncollected Taxes	<u>107,109</u>	<u>113,809</u>	<u>119,371</u>	<u>112,988</u>	<u>119,675</u>
Total Appropriations:	<u>\$2,403,400</u>	<u>\$2,412,350</u>	<u>\$2,443,581</u>	<u>\$2,594,420</u>	<u>\$2,583,610</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>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>
2020	\$787,481	300,000
2019	828,457	400,000
2018	572,709	300,000
2017	502,664	300,000
2016	411,091	305,000

Source: Annual Audit Reports of the Borough

Sewer Utility Fund

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

Fund Balance - Sewer Utility Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$762,140	\$230,000
2019	681,015	191,000
2018	580,073	200,000
2017	522,893	297,800
2016	458,999	200,000

Source: Annual Audit Reports of the Borough

Water Utility Fund

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

Fund Balance - Water Utility Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$460,223	\$207,000
2019	441,817	194,600
2018	340,469	178,800
2017	367,112	205,700
2016	379,816	223,700

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2020**General Purpose Debt**

Serial Bonds	\$1,270,000
Bond Anticipation Notes	300,000
Bonds and Notes Authorized but Not Issued	431,911
Other Bonds, Notes and Loans	0
Total:	<u>\$2,001,911</u>

Regional School High District Debt

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

Regional School Elementary District Debt

Serial Bonds	\$942,013
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$942,013</u>

Self-Liquidating Debt

Serial Bonds	\$320,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$320,000</u>

TOTAL GROSS DEBT**\$3,263,924**

Less: Statutory Deductions

General Purpose Debt	\$10,782
Regional School District I Debt	0
Regional School District II Debt	942,013
Self-Liquidating Debt	320,000
Total:	<u>\$1,272,795</u>

TOTAL NET DEBT**\$1,991,129**

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional High School District	\$0	0.75%	\$0
Regional Elementary School District	27,650,000	3.41%	942,013
County	1,283,315,000	0.19%	<u>2,465,571</u>
Net Indirect Debt			\$3,407,584
Net Direct Debt			<u>1,991,129</u>
Total Net Direct and Indirect Debt			<u>\$5,398,713</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$260,046,918
Permitted Debt Limitation (3 1/2%)	9,101,642
Less: Net Debt	<u>1,991,129</u>
Remaining Borrowing Power	<u>\$7,110,514</u>
Percentage of Net Debt to Average Equalized Valuation	0.766%
 Gross Debt Per Capita based on 2020 population of 2,346	 \$1,391
Net Debt Per Capita based on 2020 population of 2,346	\$849

Source: Annual Debt Statement of the Borough

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

INFORMATION REGARDING THE BOROUGH OF FARMINGDALE¹

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

General Information

The Borough was incorporated into its own independent municipality in 1903 from portions of the Township of Howell. It comprises less than 1 square mile of total area and is completely surrounded by the Township of Howell. The Borough is situated in the central region of the State, in the southeastern portion of the County. It is approximately 10 miles west of the Jersey Shore and 60 miles south of New York City.

Form of Government

The Borough operates under the Borough form of State municipal government. The governing body consists of a Mayor and a Borough Council, all of whom are elected at-large. The Mayor is elected directly by the voters to serve a four-year term. The Borough Council consists of six (6) members elected to serve three-year staggered terms, with two seats open for election each year. The Borough Council acts as the governing body of the Borough. The Mayor presides over all meetings, retains veto power over certain resolutions and ordinances, and is permitted to vote only in the event of a tie.

Pension and Retirement Systems

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

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

¹ Source: The Borough, unless otherwise indicated.

required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

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

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

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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>				
2020	820	733	87	10.6%
2019	813	785	28	3.4%
2018	1,054	1,018	36	3.4%
2017	765	728	37	4.8%
2016	768	726	42	5.5%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$63,650	\$99,733	\$82,545
Median Family Income	102,500	124,778	102,260
Per Capita Income	36,180	51,700	42,745

Source: US Bureau of the Census, 2019 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>
2020	1,504	13.2%	643,615	2.1%	9,288,994	5.7%
2010	1,329	-16.3	630,380	2.5	8,791,894	4.5
2000	1,587	8.5	615,301	11.2	8,414,350	8.9
1990	1,462	8.5	553,124	9.9	7,730,188	5.0
1980	1,348	17.4	503,173	8.9	7,365,001	2.7

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2020 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Farmingdale Garden Apartments, LLC	\$16,176,100	9.37%
30 Southard Ave, Farmingdale LLC	7,604,400	4.41%
Farmingdale Shopping Center, LLC	3,667,800	2.13%
320 Chestnut Realty LLC	3,288,200	1.91%
Academy Apartments LLC	1,687,200	0.98%
Farmingdale BP	1,506,500	0.87%
A Four Properties LLC	1,375,700	0.80%
Bell Atlantic	1,022,300	0.59%
Roadside Holdings, LLC	840,500	0.49%
Ariana, LLC	<u>700,000</u>	<u>0.41%</u>
Total	<u>\$37,868,700</u>	<u>21.95%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$3,943,478	\$3,904,176	99.00%
2019	3,799,746	3,743,721	98.53%
2018	3,532,300	3,443,309	97.48%
2017	3,400,603	3,367,715	99.03%
2016	3,157,976	3,110,445	98.49%

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>
2020	\$70,964	\$33,292	\$104,256	2.64%
2019	64,953	47,968	112,921	2.97%
2018	58,921	73,559	132,480	3.75%
2017	53,080	32,248	85,328	2.51%
2016	47,321	47,222	94,543	2.99%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$0
2019	0
2018	0
2017	0
2016	0

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2021	\$0.318	\$1.321	\$0.377	\$0.278	\$2.294
2020	0.311	1.337	0.344	0.277	2.269
2019	0.293	1.352	0.354	0.278	2.277
2018	0.261	1.228	0.339	0.287	2.115
2017	0.244	1.218	0.345	0.278	2.085

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>
2021	\$177,502,100	\$187,872,671	94.48%	\$0	\$187,872,671
2020	172,551,600	175,392,966	98.38	0	175,392,966
2019	166,344,900	171,914,944	96.76	0	171,914,944
2018	166,874,600	159,094,861	104.89	0	159,094,861
2017	155,689,800	149,658,560	104.03	0	149,658,560

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>
2021	\$1,085,100	\$125,358,200	\$42,700	\$27,368,900	\$4,564,200	\$19,083,000	\$177,502,100
2020	1,281,500	121,197,400	42,200	26,712,900	4,208,500	19,109,100	172,551,600
2019	973,500	119,715,300	17,500	26,880,000	3,273,400	15,485,200	166,344,900
2018	984,800	120,283,900	17,500	26,918,700	3,311,800	15,357,900	166,874,600
2017	3,226,700	106,525,800	587,400	26,700,800	3,311,800	15,321,400	155,673,900

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$206,000	\$386,214	\$206,000	\$210,000	\$210,000
Miscellaneous Revenues	224,208	201,208	200,708	283,708	456,460
Receipts from Delinquent Taxes	45,000	37,000	42,000	45,000	33,000
Amount to be Raised by Taxation	<u>379,638</u>	<u>435,363</u>	<u>486,957</u>	<u>536,389</u>	<u>564,281</u>
Total Revenue:	<u>\$854,846</u>	<u>\$1,059,785</u>	<u>\$935,665</u>	<u>\$1,075,097</u>	<u>\$1,263,740</u>
<u>Appropriations</u>					
General Appropriations	\$618,532	\$624,562	\$666,792	\$642,670	\$653,061
Operations (Excluded from CAPS)	32,361	32,575	36,339	42,573	42,219
Deferred Charges and Statutory Expenditures	13,000	13,000	0	64,932	32,675
Capital Improvement Fund	11,945	191,945	21,938	31,938	32,000
Municipal Debt Service	27,500	50,000	50,500	122,500	349,500
Reserve for Uncollected Taxes	<u>151,508</u>	<u>147,703</u>	<u>160,096</u>	<u>170,484</u>	<u>154,286</u>
Total Appropriations:	<u>\$854,846</u>	<u>\$1,059,785</u>	<u>\$935,665</u>	<u>\$1,075,097</u>	<u>\$1,263,740</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>Fund Balance - Current Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2020	\$1,225,918	\$210,000
2019	979,419	210,000
2018	829,498	206,000
2017	984,911	386,214
2016	725,359	206,000

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.

Fund Balance
Sewer Utility Operating Fund

<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2020	\$88,869	\$46,120
2019	108,300	70,185
2018	182,818	168,450
2017	196,404	101,474
2016	138,175	95,000

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.

Fund Balance
Water Utility Operating Fund

<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2020	\$219,875	\$134,920
2019	198,609	133,955
2018	241,135	199,027
2017	243,043	190,024
2016	223,818	164,744

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2020**General Purpose Debt**

Serial Bonds	\$0
Bond Anticipation Notes	519,500
Bonds and Notes Authorized but Not Issued	522,227
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$1,041,727

Local School District Debt

Serial Bonds	\$4,470,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$4,470,000

Regional School District Debt

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

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>929,736</u>
Total:	\$929,736

TOTAL GROSS DEBT**\$6,441,463**

Less: Statutory Deductions	
General Purpose Debt	\$274,752
Local School District Debt	4,470,000
Regional School District Debt	0
Self-Liquidating Debt	<u>929,736</u>
Total:	\$5,674,488

TOTAL NET DEBT**\$766,975**

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$4,470,000	100.00%	\$4,470,000
Regional School District	0	0.49%	0
County	1,283,315,000	0.13%	<u>1,666,824</u>
Net Indirect Debt			\$6,136,824
Net Direct Debt			<u>766,975</u>
Total Net Direct and Indirect Debt			<u>\$6,903,800</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$168,800,924
Permitted Debt Limitation (3 1/2%)	5,908,032
Less: Net Debt	<u>766,975</u>
Remaining Borrowing Power	<u>\$5,141,057</u>
Percentage of Net Debt to Average Equalized Valuation	0.454%
Gross Debt Per Capita based on 2020 population of 1,504	\$4,283
Net Debt Per Capita based on 2020 population of 1,504	\$510

Source: Annual Debt Statement of the Borough

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

INFORMATION REGARDING THE BOROUGH OF FREEHOLD¹

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

General Information

The Borough was initially incorporated as a town on March 25, 1879 from portions of the Township of Freehold and reincorporated as borough on April 15, 1919. The Borough is serves as the seat of the County and along with the Township of Freehold, is recognized as a commercial hub for the central region of the State.

The Borough is situated in the center of the County and encompasses approximately two (2) square miles of total area. As the seat of the County, the Borough is located at the crossroads of two (2) major State highways, providing easy access to other parts of the County. Additionally, bus services are available to neighboring towns and major cities in the greater metropolitan area.

Form of Government

The Borough is governed under the Borough form of State municipal government. The governing body consists of a Mayor who is elected at-large for a four-year term and a six (6) member Borough Council elected to serve three-year staggered terms, with two seats open for election each year. The governing body is empowered to adopt local ordinances and pass resolutions. All of the governing body’s business is conducted during its monthly public meetings.

Pension and Retirement Systems

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

The Public Employees’ Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions

¹ Source: The Borough, unless otherwise indicated.

of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

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

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

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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>				
2020	6,229	5,742	487	7.8%
2019	6,320	6,148	172	2.7%
2018	6,261	6,062	199	3.2%
2017	6,288	6,052	236	3.8%
2016	6,317	6,060	257	4.1%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$61,314	\$99,733	\$82,545
Median Family Income	76,360	124,778	102,260
Per Capita Income	29,069	51,700	42,745

Source: US Bureau of the Census, 2019 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>
2020	12,538	4.03%	643,615	2.10%	9,288,994	5.65%
2010	12,052	9.80	630,380	2.45	8,791,894	4.49
2000	10,976	2.18	615,301	11.24	8,414,350	8.85
1990	10,742	7.21	553,124	9.93	7,730,188	4.96
1980	10,020	-4.98	503,173	8.95	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>2020 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Nestle USA	\$23,686,500	2.14%
Freehold Racing Association	21,526,800	1.95%
Mattison Crossing at Manalapan A	16,975,900	1.54%
East Coast Post & Coach LLC	11,613,000	1.05%
Freefern Associates	9,101,000	0.82%
Tower Spring Terrace LLC	7,245,000	0.66%
Park Plaza Shopping Center, Inc.	5,014,200	0.45%
18-20 E. Main Street LLC	4,270,100	0.39%
Chiu's Property Inc.	2,990,600	0.27%
Bell Atlantic	<u>2,577,300</u>	<u>0.23%</u>
Total	<u>\$105,000,400</u>	<u>9.49%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$29,744,824	\$29,044,902	97.65%
2019	29,030,066	28,500,571	98.18%
2018	28,789,707	28,204,529	97.97%
2017	28,600,655	27,974,412	97.81%
2016	27,564,906	26,750,029	97.04%

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>
2020	\$17,186	\$688,379	\$705,565	2.37%
2019	73,771	498,344	572,114	1.97%
2018	102,842	540,261	643,103	2.23%
2017	135,650	612,269	747,919	2.62%
2016	76,304	753,217	829,521	3.01%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$756,300
2019	756,300
2018	351,700
2017	156,300
2016	156,300

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2021	\$1.056	\$0.941	\$0.364	\$0.262	\$2.623
2020	1.054	0.967	0.374	0.267	2.662
2019	1.026	0.990	0.364	0.242	2.622
2018	1.026	1.057	0.342	0.276	2.701
2017	1.029	1.102	0.321	0.269	2.720

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>
2021	\$1,137,898,000	\$1,226,447,510	92.78%	\$0	\$1,226,447,510
2020	1,105,879,000	1,153,639,683	95.86	0	1,153,639,683
2019	1,083,860,600	1,110,626,704	97.59	0	1,110,626,704
2018	1,055,470,500	1,091,828,385	96.67	0	1,091,828,385
2017	1,045,312,300	1,049,932,001	99.56	0	1,049,932,001

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>
2021	\$9,459,200	\$817,015,000	\$0	\$243,698,000	\$25,570,200	\$42,155,600	\$1,137,898,000
2020	8,676,000	790,539,300	0	239,787,500	25,327,700	41,548,500	1,105,879,000
2019	10,783,800	771,996,400	0	234,733,200	25,450,200	40,897,000	1,083,860,600
2018	9,600,100	754,455,600	0	233,786,500	25,411,800	32,216,500	1,055,470,500
2017	9,632,800	746,989,900	0	231,178,600	25,373,900	32,137,100	1,045,312,300

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$1,425,000	\$1,425,000	\$1,615,000	\$1,715,000	\$1,815,000
Miscellaneous Revenues	3,818,157	3,595,234	3,574,710	3,207,842	2,718,872
Receipts from Delinquent Taxes	668,100	600,000	500,000	500,000	643,000
Amount to be Raised by Taxation	<u>10,512,694</u>	<u>10,826,308</u>	<u>11,112,560</u>	<u>11,650,730</u>	<u>12,009,888</u>
Total Revenue:	<u>\$16,423,951</u>	<u>\$16,446,543</u>	<u>\$16,802,270</u>	<u>\$17,073,573</u>	<u>\$17,186,760</u>
<u>Appropriations</u>					
General Appropriations	\$12,118,039	\$12,422,176	\$12,708,088	\$13,047,384	\$13,261,486
Operations (Excluded from CAPS)	1,688,044	1,538,132	1,558,118	1,569,233	1,579,231
Deferred Charges and Statutory Expenditures	93,000	73,000	16,650	89,516	0
Judgments	0	0	0	0	0
Capital Improvement Fund	85,000	110,000	110,000	395,420	380,920
Municipal Debt Service	1,529,995	1,367,730	1,469,100	1,014,164	992,750
Reserve for Uncollected Taxes	<u>909,873</u>	<u>935,504</u>	<u>940,314</u>	<u>957,855</u>	<u>972,373</u>
Total Appropriations:	<u>\$16,423,951</u>	<u>\$16,446,543</u>	<u>\$16,802,270</u>	<u>\$17,073,573</u>	<u>\$17,186,760</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>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>
2020	\$3,724,708	\$1,815,000
2019	3,610,985	1,715,000
2018	3,298,238	1,615,000
2017	2,538,243	1,425,000
2016	2,004,393	1,425,000

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>		
<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$456,168	\$456,000
2019	786,868	769,963
2018	1,140,145	982,725
2017	1,129,062	980,653
2016	355,458	350,000

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2020**General Purpose Debt**

Serial Bonds	\$7,055,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	5,512,000
Other Bonds, Notes and Loans	0
Total:	<u>\$12,567,000</u>

Local School District Debt

Serial Bonds	\$15,405,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$15,405,000</u>

Regional School District Debt

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

Self-Liquidating Debt

Serial Bonds	\$9,700,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	2,775,450
Other Bonds, Notes and Loans	0
Total:	<u>\$12,475,450</u>

TOTAL GROSS DEBT**\$40,447,450**

Less: Statutory Deductions	
General Purpose Debt	\$543,362
Local School District Debt	15,405,000
Regional School District Debt	0
Self-Liquidating Debt	12,475,450
Total:	<u>\$28,423,812</u>

TOTAL NET DEBT**\$12,023,638**

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$15,405,000	100.00%	\$15,405,000
Regional School District	0	3.24%	0
County	1,283,315,000	0.85%	<u>10,963,465</u>
Net Indirect Debt			\$26,368,465
Net Direct Debt			<u>12,023,638</u>
Total Net Direct and Indirect Debt			<u>\$38,392,103</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$1,118,698,257
Permitted Debt Limitation (3 1/2%)	39,154,439
Less: Net Debt	<u>12,023,638</u>
Remaining Borrowing Power	<u>\$27,130,801</u>
Percentage of Net Debt to Average Equalized Valuation	1.075%
Gross Debt Per Capita based on 2020 population of 12,538	\$3,226
Net Debt Per Capita based on 2020 population of 12,538	\$959

Source: Annual Debt Statement of the Borough

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

INFORMATION REGARDING THE TOWNSHIP OF FREEHOLD¹

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

General Information

The Township was formed in 1693 and incorporated as a township in 1798. After its formation, parts of the Township were annexed to form multiple municipalities, including the Townships of Marlboro, Colts Neck and Manalapan.

Located in the central part of the County, the Township encompasses a total area of approximately 40 square miles. It is equally distant from both New York City and Philadelphia and is traversed by major State routes, such as Route 9, Route 33 and Route 33. The Garden State Parkway, the New Jersey Turnpike and Interstate 195 are accessible in neighboring towns. Bus services to neighboring towns and the major cities are available in the Township.

The Township is recognized as a regional commercial hub in the central part of the State. With the presence of several shopping centers, including the Freehold Raceway Mall, the second largest mall in the State, the Township has been a longtime economic center in the region.

Form of Government

The Township is governed by a Township Committee consisting of five (5) members elected to three (3) year terms. The Mayor is chosen and appointed yearly by the Township Committee. The Mayor and Township Committee constitute the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the purpose of conducting Township business. The chief executive officer of the Township is the Township's full-time Administrator who is assisted in the administration of the Township by the Chief Financial Officer and staff.

Pension and Retirement Systems

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

¹ Source: The Township, unless otherwise indicated.

writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

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

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2020	18,231	16,643	1,588	8.7%
2019	18,333	17,821	512	2.8%
2018	18,106	17,502	604	3.3%
2017	18,131	17,442	689	3.8%
2016	18,516	17,754	762	4.1%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$110,432	\$99,733	\$82,545
Median Family Income	136,250	124,778	102,260
Per Capita Income	50,602	51,700	42,745

Source: US Bureau of the Census, 2019 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>
2020	35,369	-2.3%	643,615	2.1%	9,288,994	5.7%
2010	36,184	14.7	630,380	2.5	8,791,894	4.5
2000	31,537	27.6	615,301	11.2	8,414,350	8.9
1990	24,710	28.7	553,124	9.9	7,730,188	5.0
1980	19,202	45.6	503,173	8.9	7,365,001	2.7

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2020</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Freemall Associates	\$355,655,200	5.29%
100 Lambert LLC c/o Eagle Rock Advisors	66,727,700	0.99%
Iron Mountain, Inc.	47,990,700	0.71%
Center for Aging DBA/Applewood	36,700,000	0.55%
Ushpizin Associates Owner LLC	27,900,000	0.42%
Freehold Shopping Associates	24,837,400	0.37%
Raintreetowne Center Assoc LP	24,771,800	0.37%
Macy's East Inc	23,939,000	0.36%
Ronardi Freehold Enterprises LLC	23,707,500	0.35%
Silver Shore Land Co., LLC	<u>22,500,000</u>	<u>0.33%</u>
Total	<u>\$654,729,300</u>	<u>9.75%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$146,502,281	\$145,474,806	99.30%
2019	144,253,560	142,874,987	99.04%
2018	142,437,519	141,133,020	99.08%
2017	140,284,595	139,166,864	99.20%
2016	140,813,815	139,490,588	99.06%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2020	\$396,104	\$981,182	\$1,377,286	0.94%
2019	392,941	1,358,493	1,751,434	1.21%
2018	373,555	1,162,477	1,536,032	1.08%
2017	346,326	1,083,809	1,430,135	1.02%
2016	337,603	1,300,145	1,637,748	1.16%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$584,150
2019	584,150
2018	584,150
2017	584,150
2016	584,150

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2021	\$0.365	\$1.060	\$0.412	\$0.284	\$2.121
2020	0.366	1.074	0.408	0.282	2.130
2019	0.362	1.074	0.417	0.286	2.139
2018	0.370	1.097	0.441	0.303	2.211
2017	0.370	1.113	0.455	0.290	2.228

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>
2021	\$6,868,119,600	\$7,284,810,776	94.28%	\$0	\$7,284,810,776
2020	6,717,431,900	7,050,941,430	95.27	0	7,050,941,430
2019	6,592,450,900	6,710,556,698	98.24	0	6,710,556,698
2018	6,326,367,000	6,615,462,721	95.63	0	6,615,462,721
2017	6,145,883,500	6,510,731,901	94.48	0	6,510,731,901

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>
2021	\$52,455,300	\$5,103,047,500	\$34,162,100	\$1,399,760,900	\$176,972,900	\$101,720,900	\$6,868,119,600
2020	54,964,900	4,883,717,000	33,822,600	1,492,227,500	154,144,100	98,555,800	6,717,431,900
2019	50,698,700	4,799,653,300	35,327,000	1,457,447,400	154,697,800	94,626,700	6,592,450,900
2018	48,609,600	4,588,492,600	32,763,000	1,417,161,400	154,713,700	84,626,700	6,326,367,000
2017	52,922,000	4,425,631,400	31,127,200	1,396,897,600	154,513,500	84,791,800	6,145,883,500

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$5,835,000	\$6,455,872	\$6,928,357	\$7,539,498	\$7,552,950
Miscellaneous Revenues	11,257,897	11,546,640	11,757,516	11,535,163	11,520,370
Receipts from Delinquent Taxes	1,110,000	925,000	1,017,500	1,025,000	925,000
Amount to be Raised by Taxation	<u>21,268,929</u>	<u>21,482,446</u>	<u>21,900,601</u>	<u>22,557,619</u>	<u>23,032,983</u>
Total Revenue:	<u>\$39,471,826</u>	<u>\$40,409,959</u>	<u>\$41,603,974</u>	<u>\$42,657,280</u>	<u>\$43,031,303</u>
<u>Appropriations</u>					
General Appropriations	\$30,296,948	\$31,023,994	\$32,188,645	\$33,072,225	\$33,245,852
Operations (Excluded from CAPS)	1,330,804	1,360,660	1,680,213	1,682,337	1,682,167
Deferred Charges and Statutory Expenditures	35,000	0	0	0	0
Capital Improvement Fund	400,000	400,000	400,000	400,000	400,000
Municipal Debt Service	4,489,118	4,732,411	4,455,529	4,488,159	4,738,099
Transferred to Board of Education	948,644	953,644	950,975	952,559	951,185
Reserve for Uncollected Taxes	<u>1,971,312</u>	<u>1,939,249</u>	<u>1,938,613</u>	<u>2,062,000</u>	<u>2,014,000</u>
Total Appropriations:	<u>\$39,471,826</u>	<u>\$40,409,959</u>	<u>\$41,613,974</u>	<u>\$42,657,280</u>	<u>\$43,031,303</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.

Fund Balance - Current Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$11,370,803	\$7,552,950
2019	11,739,500	7,539,498
2018	10,636,917	6,928,357
2017	9,878,823	6,455,872
2016	8,282,107	5,835,000

Source: Annual Audit Reports of the Township

Water Utility Operating Fund

The following table lists the Township'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.

Fund Balance		
<u>Water Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2020	\$8,509,436	\$3,080,514
2019	8,245,787	2,804,682
2018	10,056,555	4,021,949
2017	9,887,412	3,119,118
2016	9,448,648	3,149,024

Source: Annual Audit Reports of the Township

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Township Indebtedness as of December 31, 2020

General Purpose Debt

Serial Bonds	\$24,940,000
Bond Anticipation Notes	11,000,000
Bonds and Notes Authorized but Not Issued	23,466,602
Other Bonds, Notes and Loans	<u>2,629,794</u>
Total:	\$62,036,396

Local School District Debt

Serial Bonds	\$32,250,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$32,250,000

Regional School District Debt

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

Self-Liquidating Debt

Serial Bonds	\$6,955,000
Bond Anticipation Notes	3,500,000
Bonds and Notes Authorized but Not Issued	6,471,440
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$16,926,440

TOTAL GROSS DEBT

	<u><u>\$111,212,836</u></u>
Less: Statutory Deductions	
General Purpose Debt	\$4,142,330
Local School District Debt	32,250,000
Regional School District Debt	0
Self-Liquidating Debt	<u>16,926,440</u>
Total:	\$53,318,770

TOTAL NET DEBT

	<u><u>\$57,894,066</u></u>
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Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$32,250,000	100.00%	\$32,250,000
Regional School District	0	19.67%	0
County	1,283,315,000	5.22%	<u>67,007,708</u>
Net Indirect Debt			\$99,257,708
Net Direct Debt			<u>57,894,066</u>
Total Net Direct and Indirect Debt			<u>\$157,151,774</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$6,792,320,283
Permitted Debt Limitation (3 1/2%)	237,731,210
Less: Net Debt	<u>57,894,066</u>
Remaining Borrowing Power	<u>\$179,837,144</u>
Percentage of Net Debt to Average Equalized Valuation	0.852%
Gross Debt Per Capita based on 2020 population of 35,369	\$3,144
Net Debt Per Capita based on 2020 population of 35,369	\$1,637

Source: Annual Debt Statement of the Township

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

INFORMATION REGARDING THE TOWNSHIP OF HOWELL¹

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

General Information

Named after the third governor of the State, the Township was incorporated as a township in 1801 from portions of the Township of Shrewsbury. Parts of the Township were later taken to form the Townships of Brick and Wall and the Borough of Farmingdale.

It is situated in the center of the State and due its proximity to the Jersey Shore, the Township is near multiple major bodies of water including the Atlantic Ocean, the Manasquan Reservoir and the Metedeconk River. The Township is the second most populous municipality in the County and, with a total area of approximately 61.2 square miles, it is the largest municipality in the County. The Township is approximately 60 miles away from both New York City and Philadelphia.

Form of Government

The Township is governed by a Council-Manager form of government, which consists of the Mayor and a four (4) member Township Council. Among other things, this form of government allows for the direct election of the Mayor and Councilmembers and the separation of legislative power from administrative functions. The Mayor and the members of the Council are elected at-large, to four-year terms. While the Council sets policy, it relies on the Township Manager to carry out its directives and to supervise the Township’s day-to-day business activities.

Pension and Retirement Systems

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

The Public Employees’ Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions

¹ Source: The Township, unless otherwise indicated.

of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2020	28,306	25,738	2,568	9.1%
2019	28,436	27,559	877	3.1%
2018	28,050	27,063	987	3.5%
2017	28,044	26,911	1,133	4.0%
2016	28,080	26,837	1,243	4.4%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$105,082	\$99,733	\$82,545
Median Family Income	117,197	124,778	102,260
Per Capita Income	42,944	51,700	42,745

Source: US Bureau of the Census, 2019 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>
2020	53,537	4.8%	643,615	2.1%	9,288,994	5.7%
2010	51,075	4.4	630,380	2.5	8,791,894	4.5
2000	48,903	25.4	615,301	11.2	8,414,350	8.9
1990	38,987	55.5	553,124	9.9	7,730,188	5.0
1980	25,065	15.2	503,173	8.9	7,365,001	2.7

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2020 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Buffalo-Parkton & Feuerstein & Wainco	\$43,693,800	0.59%
Howell Verdana LLC & Verdonna, LLC	39,843,400	0.54%
Howell Friendship Real Estate Co.	21,087,100	0.29%
AA Cardiff, LLC Etal	20,091,100	0.27%
DS & DJ Realty, LLC	15,933,100	0.22%
Home Depot USA Inc.	15,283,400	0.21%
Lowe's Home Centers, Inc.	14,961,400	0.20%
Wal-Mart Stores, Inc.	14,188,300	0.19%
Target Corporation	13,920,900	0.19%
Aldrich Plaza, LLC	13,799,100	0.19%
Total	<u>\$212,801,600</u>	<u>2.88%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$172,389,520	\$169,629,264	98.40%
2019	171,081,842	168,691,289	98.60%
2018	165,162,860	162,472,842	98.37%
2017	161,745,365	158,838,073	98.20%
2016	156,410,390	153,692,833	98.26%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2020	\$3,106,869	\$2,551,945	\$5,658,814	3.28%
2019	2,947,590	2,238,793	5,186,383	3.03%
2018	2,841,290	2,500,942	5,342,231	3.23%
2017	2,742,372	2,417,295	5,159,667	3.19%
2016	2,403,846	2,444,037	4,847,883	3.10%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$13,587,600
2019	13,149,200
2018	13,003,747
2017	12,825,600
2016	12,492,400

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2021	\$0.407	\$1.089	\$0.428	\$0.289	\$2.213
2020	0.415	1.100	0.428	0.297	2.240
2019	0.415	1.119	0.448	0.302	2.284
2018	0.408	1.127	0.449	0.311	2.295
2017	0.417	1.165	0.436	0.302	2.320

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>
2021	\$7,546,137,900	\$8,512,281,895	88.65%	\$0	\$8,512,281,895
2020	7,388,630,600	7,754,650,084	95.28	0	7,754,650,084
2019	7,195,667,500	7,644,393,392	94.13	0	7,644,393,392
2018	6,903,932,000	7,493,685,010	92.13	0	7,493,685,010
2017	6,655,455,300	7,130,335,655	93.34	0	7,130,335,655

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>
2021	\$113,286,200	\$6,449,143,300	\$105,903,200	\$713,280,800	\$124,386,400	\$40,138,000	\$7,546,137,900
2020	101,852,000	6,318,620,400	104,508,800	710,135,200	113,613,300	39,900,900	7,388,630,600
2019	112,105,800	6,149,486,400	100,876,700	682,217,500	111,137,700	39,843,400	7,195,667,500
2018	114,774,900	5,875,284,700	100,748,000	668,590,600	105,862,100	38,671,700	6,903,932,000
2017	118,523,800	5,654,440,800	100,709,300	626,784,300	104,535,300	37,293,500	6,642,287,000

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$3,600,000	\$6,195,000	\$6,000,000	\$6,000,000	\$7,287,000
Miscellaneous Revenues	15,498,443	16,065,235	15,832,740	16,240,605	16,254,785
Receipts from Delinquent Taxes	2,330,000	2,000,000	2,100,000	2,100,000	2,100,000
Amount to be Raised by Taxation	<u>26,338,557</u>	<u>26,804,765</u>	<u>28,391,951</u>	<u>29,201,215</u>	<u>29,201,215</u>
Total Revenue:	<u>\$47,767,000</u>	<u>\$51,065,000</u>	<u>\$52,324,691</u>	<u>\$53,541,820</u>	<u>\$54,843,000</u>
<u>Appropriations</u>					
General Appropriations	\$36,211,374	\$37,818,614	\$38,914,750	\$39,744,150	\$41,593,081
Operations (Excluded from CAPS)	1,553,798	1,928,450	1,857,416	1,835,062	1,568,441
Deferred Charges and Statutory Expenditures	75,660	9,000	9,000	0	0
Capital Improvement Fund	311,200	436,200	425,000	425,000	425,000
Municipal Debt Service	6,380,110	7,635,040	8,111,413	8,505,923	8,234,875
Reserve for Uncollected Taxes	<u>3,234,858</u>	<u>3,237,696</u>	<u>3,007,113</u>	<u>3,031,685</u>	<u>3,021,603</u>
Total Appropriations:	<u>\$47,767,000</u>	<u>\$51,065,000</u>	<u>\$52,324,691</u>	<u>\$53,541,820</u>	<u>\$54,843,000</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.

Fund Balance - Current Fund

	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2020	\$10,514,007	\$7,287,000
2019	10,815,846	6,000,000
2018	10,166,685	6,000,000
2017	10,015,046	6,195,000
2016	7,005,424	3,600,000

Source: Annual Audit Reports of the Township

Sewer Utility Operating Fund

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

Fund Balance		
<u>Sewer Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2020	\$940,845	\$667,000
2019	1,619,549	900,000
2018	1,930,604	1,200,000
2017	2,339,852	1,200,000
2016	2,928,531	970,000

Source: Annual Audit Reports of the Township

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Township Indebtedness as of December 31, 2020

General Purpose Debt

Serial Bonds	\$61,030,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	10,041,749
Other Bonds, Notes and Loans	0
Total:	<u>\$71,071,749</u>

Local School District Debt

Serial Bonds	\$29,030,454
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$29,030,454</u>

Regional School District Debt

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

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	7,504,557
Other Bonds, Notes and Loans	0
Total:	<u>\$7,504,557</u>

TOTAL GROSS DEBT

\$107,606,760

Less: Statutory Deductions	
General Purpose Debt	\$5,336,000
Local School District Debt	29,030,454
Regional School District Debt	0
Self-Liquidating Debt	7,504,557
Total:	<u>\$41,871,011</u>

TOTAL NET DEBT

\$65,735,749

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$29,030,454	100.00%	\$29,030,454
Regional School District	0	22.10%	0
County	1,071,915,000	6.10%	<u>65,399,204</u>
Net Indirect Debt			\$94,429,658
Net Direct Debt			<u>65,735,749</u>
Total Net Direct and Indirect Debt			<u>\$160,165,407</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$7,630,909,495
Permitted Debt Limitation (3 1/2%)	267,081,832
Less: Net Debt	<u>65,735,749</u>
Remaining Borrowing Power	<u><u>\$201,346,083</u></u>
Percentage of Net Debt to Average Equalized Valuation	0.861%
 Gross Debt Per Capita based on 2020 population of 53,537	 \$2,010
Net Debt Per Capita based on 2020 population of 53,537	\$1,228

Source: Annual Debt Statement of the Township

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

INFORMATION REGARDING THE TOWNSHIP OF MANALAPAN¹

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

General Information

The Township, incorporated in 1848, was originally formed from portions of the Township of Freehold. It is currently comprised of a total area of approximately 31 square miles. Located in the central-eastern portion of the State, in the western region of the County, the Township is approximately 15 miles from the Jersey Shore and 45 miles from New York City. The Township is bounded by the Townships of Marlboro, Freehold and Millstone, and it also borders the County of Middlesex.

Form of Government

The Township operates under the Township form of State municipal government. The Township is governed by a five (5) member Committee, whose members are elected at-large to serve three-year terms by the legally registered voters in the Township. The Township Committee comprises the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the conduct of Township business. Each year, the Township Committee selects one of its members to serve as Mayor and another as Deputy Mayor. The Mayor is the chairman of the Township Committee and head of the municipal government.

Pension and Retirement Systems

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

The Public Employees’ Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the

¹ Source: The Township, unless otherwise indicated.

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 pension fund or local jurisdiction's pension fund.

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2020	20,901	19,027	1,874	9.0%
2019	20,940	20,373	567	2.7%
2018	20,740	20,081	659	3.2%
2017	20,780	20,040	740	3.6%
2016	20,924	20,075	849	4.1%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$122,304	\$99,733	\$82,545
Median Family Income	140,115	124,778	102,260
Per Capita Income	56,262	51,700	42,745

Source: US Bureau of the Census, 2019 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>
2020	40,905	5.23%	643,615	2.10%	9,288,994	5.65%
2010	38,872	16.30	630,380	2.45	8,791,894	4.49
2000	33,423	25.10	615,301	11.24	8,414,350	8.85
1990	26,716	41.25	553,124	9.93	7,730,188	4.96
1980	18,914	34.63	503,173	8.95	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>2020</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Manalapan Realty	\$61,869,100	0.88%
Manalapan VF	33,542,700	0.48%
Towne Point Associates	15,913,000	0.23%
Fields of Dream Real Estate, LLC	14,800,000	0.21%
Trans Equity Realty, LLC	10,946,000	0.16%
Lenine, LLC	9,875,000	0.14%
HCRI NY-NJ Properties LLC	9,175,900	0.13%
Gordons Corner Realty, LLC	8,500,000	0.12%
Benbrooke Galleria	7,956,000	0.11%
Monmouth Investors	<u>7,472,400</u>	<u>0.11%</u>
Total	<u>\$180,050,100</u>	<u>2.55%</u>

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

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$145,357,305	\$144,170,996	99.18%
2019	143,281,599	141,940,487	99.06%
2018	137,772,234	136,636,518	99.18%
2017	133,051,144	131,837,254	99.09%
2016	129,137,983	128,026,846	99.14%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2020	\$215,543	\$1,075,285	\$1,290,828	0.89%
2019	182,103	1,260,969	1,443,073	1.01%
2018	166,956	1,086,435	1,253,391	0.91%
2017	163,749	1,147,131	1,310,880	0.99%
2016	150,209	1,054,010	1,204,219	0.93%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$264,800
2019	264,800
2018	264,800
2017	264,800
2016	264,800

Source: Annual Audit Reports of the Township

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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 Elementary</u>	<u>Regional High School</u>	<u>County</u>	<u>Total</u>
2021	\$0.371	\$0.949	\$0.420	\$0.295	\$2.035
2020	0.354	0.945	0.416	0.293	2.008
2019	0.359	0.984	0.417	0.299	2.059
2018	0.357	0.954	0.415	0.297	2.023
2017	0.361	0.950	0.418	0.292	2.021

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>
2021	\$7,166,668,100	\$7,592,613,730	94.39%	\$0	\$7,592,613,730
2020	7,058,050,500	7,477,540,523	94.39	0	7,477,540,523
2019	6,944,410,400	7,324,554,794	94.81	0	7,324,554,794
2018	6,641,165,500	7,316,476,259	90.77	0	7,316,476,259
2017	6,399,514,400	6,692,366,754	95.65	0	6,692,366,754

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

Classification of Ratables

<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>
2021	\$37,215,500	\$6,536,952,800	\$42,938,600	\$524,534,600	\$25,026,600	\$0	\$7,166,668,100
2020	34,613,800	6,436,526,600	42,823,700	518,889,000	25,197,400	0	7,058,050,500
2019	39,292,500	6,362,922,900	39,806,200	478,389,800	23,999,000	0	6,944,410,400
2018	38,604,600	6,071,386,900	39,814,100	467,772,800	23,587,100	0	6,641,165,500
2017	35,776,600	5,872,797,400	37,452,500	432,624,800	20,863,100	0	6,399,514,400

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$3,750,000	\$3,665,000	\$3,500,000	\$3,500,000	\$4,000,000
Miscellaneous Revenues	7,205,566	7,048,129	7,280,636	7,120,627	7,081,413
Receipts from Delinquent Taxes	750,000	750,000	750,000	750,000	750,000
Amount to be Raised by Taxation	<u>21,824,014</u>	<u>22,354,301</u>	<u>22,961,264</u>	<u>23,542,539</u>	<u>25,179,133</u>
Total Revenue:	<u>\$33,529,580</u>	<u>\$33,817,430</u>	<u>\$34,491,901</u>	<u>\$34,913,166</u>	<u>\$37,010,546</u>

Appropriations

General Appropriations	\$27,423,131	\$27,744,519	\$27,853,537	\$28,101,764	\$30,040,344
Operations (Excluded from CAPS)	865,472	859,018	820,539	831,602	1,034,724
Capital Improvement Fund	285,000	175,000	75,000	175,000	128,411
Municipal Debt Service	2,525,423	2,608,297	3,197,072	3,176,530	3,178,009
Reserve for Uncollected Taxes	<u>2,430,553</u>	<u>2,430,596</u>	<u>2,545,754</u>	<u>2,628,270</u>	<u>2,629,058</u>
Total Appropriations:	<u>\$33,529,580</u>	<u>\$33,817,430</u>	<u>\$34,491,901</u>	<u>\$34,913,166</u>	<u>\$37,010,546</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2020	\$6,671,475	\$4,000,000
2019	6,128,522	3,500,000
2018	6,124,996	3,500,000
2017	6,304,088	3,665,000
2016	6,042,769	3,750,000

Source: Annual Audit Reports of the Township

Water Utility Operating Fund

The following table lists the Township'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>		
<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$404,110	\$156,874
2019	249,435	65,500
2018	197,540	60,000
2017	152,144	62,900
2016	139,660	0

Source: Annual Audit Reports of the Township

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Township Indebtedness as of December 31, 2020

General Purpose Debt

Serial Bonds	\$17,870,000
Bond Anticipation Notes	4,234,875
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$22,104,875

Regional School District I Debt

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

Regional School District II Debt

Serial Bonds	\$26,707,987
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$26,707,987

Self-Liquidating Debt

Serial Bonds	\$1,700,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$1,700,000

TOTAL GROSS DEBT

\$50,512,862

Less: Statutory Deductions	
General Purpose Debt	\$5,929,875
Regional School District I Debt	0
Regional School District II Debt	26,707,987
Self-Liquidating Debt	<u>1,700,000</u>
Total:	\$34,337,862

TOTAL NET DEBT

\$16,175,000

Source: Annual Debt Statement of the Township

Overlapping Debt (As of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Regional High School District	\$0	21.35%	\$0
Regional Elementary School District	27,650,000	96.59%	26,707,987
County	1,283,315,000	5.54%	<u>71,061,837</u>
Net Indirect Debt			\$97,769,823
Net Direct Debt			<u>16,175,000</u>
Total Net Direct and Indirect Debt			<u>\$113,944,823</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$7,372,857,192
Permitted Debt Limitation (3 1/2%)	258,050,002
Less: Net Debt	<u>16,175,000</u>
Remaining Borrowing Power	<u>\$241,875,002</u>
Percentage of Net Debt to Average Equalized Valuation	0.219%
 Gross Debt Per Capita based on 2020 population of 40,905	 \$1,235
Net Debt Per Capita based on 2020 population of 40,905	\$395

Source: Annual Debt Statement of the Township

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

INFORMATION REGARDING THE TOWNSHIP OF MARLBORO¹

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

General Information

The Township was formed as a township by an Act of the New Jersey Legislature on February 17, 1848, from portions of the Township of Freehold, where English, Scottish and Dutch settlers established the first farms in the 1600s. The Township is named for the prevalence of marl, which was first discovered in the area in 1768. The Township’s first industry was the export of the material, used primarily as fertilizer, throughout the State and by boat to New York and other parts of the country.

Following World War II, the State began to build and improve the roads infrastructure, and the Township gained population. Even until the 1970s, the Township remained largely rural in character, but then it became a growing exurban destination for people working in New York City and in nearby large suburban corporations.

The Township has a total area of 30.6 square miles, all of it land. The strategic location of the Township within the major transportation corridor in the Northeast is an important factor in the development of the community. The Township has excellent transportation facilities with easy access to both the Garden State Parkway and the New Jersey Turnpike. Public bus lines and trains operate within the area, with regular service to Newark, New Jersey and New York City.

The Township has a diversity of business enterprises, including restaurants, shopping centers, industrial properties, office and professional buildings, and other businesses to support this predominantly residential community.

Form of Government

The Township is managed under a Mayor-Council form of government authorized under Plan E of the Faulkner Act of 1950. This form of government, adopted in 1953 by Township voters, provides for, among other things, the direct election of the Mayor and Council by the electorate, the separation of legislative power from administrative functions, and the employment of full-time professional personnel in finance, public safety, purchasing, administration and health and welfare. The Township Council consists of five (5) elected officials serving four (4) year terms. At its reorganization meeting, the Council elects a President and Vice-President, each of whom serve a term of one (1) year or until the election and qualification of a successor.

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees’ Retirement System, the Police and Firemen’s Retirement System or the Defined Contribution Retirement

¹ Source: The Township, unless otherwise indicated.

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

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

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2020	19,820	18,307	1,513	7.6%
2019	20,124	19,602	522	2.6%
2018	19,877	19,303	574	2.9%
2017	19,937	19,269	668	3.4%
2016	20,075	19,312	763	3.8%
<u>County</u>				
2020	327,712	298,748	28,964	8.8%
2019	330,003	319,888	10,115	3.1%
2018	325,921	314,447	11,474	3.5%
2017	326,136	313,015	13,121	4.0%
2016	327,742	313,267	14,475	4.4%
<u>State</u>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,522,177	4,367,250	154,927	3.4%
2018	4,455,436	4,278,272	177,164	4.0%
2017	4,476,131	4,274,099	202,032	4.5%
2016	4,492,823	4,271,201	221,622	4.9%

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 2019)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$152,489	\$99,733	\$82,545
Median Family Income	168,521	124,778	102,260
Per Capita Income	60,330	51,700	42,745

Source: US Bureau of the Census, 2019 American Community Survey 5-Year Estimates

Population

The following table summarizes 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>
2020	41,502	3.26%	643,615	2.10%	9,288,994	5.65%
2010	40,191	10.42	630,380	2.45	8,791,894	4.49
2000	36,398	30.11	615,301	11.24	8,414,350	8.85
1990	27,974	59.31	553,124	9.93	7,730,188	4.96
1980	17,560	43.08	503,173	8.95	7,365,001	2.75

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

Largest Taxpayers

The ten (10) largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2021</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Marlboro Plaza & Uniondale WG LLC	\$45,843,100	0.63%
Camelot West at Marlboro	37,500,000	0.51%
Union Hill Nine	30,549,100	0.42%
T M C Marlboro	22,500,000	0.31%
American Plaza (Costco)	17,468,100	0.24%
480 Route 9 Realities, LLC	13,700,000	0.19%
Marlboro Commons LLC	12,713,100	0.17%
Marlboro Lowe's Retail Center	12,501,900	0.17%
CRP Royal Pines, LLC	12,132,100	0.17%
Brooks Edge Plaza, LLC	<u>11,776,200</u>	<u>0.16%</u>
Total	<u>\$216,683,600</u>	<u>2.98%</u>

Source: Municipal Tax Assessor

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2020	\$168,061,414	\$166,871,095	99.29%
2019	167,114,869	165,853,666	99.25%
2018	163,571,305	162,468,897	99.33%
2017	160,021,996	159,104,227	99.43%
2016	159,133,587	158,314,971	99.49%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2020	\$1,081,977	\$1,017,595	\$2,099,572	1.25%
2019	991,091	1,066,669	2,057,760	1.23%
2018	729,378	1,028,770	1,758,148	1.07%
2017	600,363	865,045	1,465,408	0.92%
2016	599,321	706,974	1,306,295	0.82%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2020	\$802,400
2019	802,400
2018	802,400
2017	802,400
2016	802,400

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2021	\$0.411	\$1.088	\$0.472	\$0.316	\$2.287
2020	0.403	1.072	0.466	0.322	2.263
2019	0.388	1.082	0.474	0.321	2.265
2018	0.389	1.063	0.458	0.317	2.227
2017	0.376	1.045	0.456	0.306	2.183

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>
2021	\$7,281,886,820	\$8,604,380,031	84.63%	\$0	\$8,604,380,031
2020	7,245,302,300	8,223,019,294	88.11	0	8,223,019,294
2019	7,198,738,900	8,125,904,617	88.59	0	8,125,904,617
2018	7,189,317,700	7,999,685,880	89.87	0	7,999,685,880
2017	7,172,392,700	7,637,736,943	94.01	0	7,637,736,943

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>
2021	\$53,888,350	\$6,566,454,270	\$32,710,900	\$497,299,500	\$80,779,900	\$50,753,900	\$7,281,886,820
2020	55,280,200	6,556,863,800	33,586,200	490,911,300	80,779,900	27,880,900	7,245,302,300
2019	73,126,400	6,527,605,100	38,115,300	465,858,300	80,779,900	13,253,900	7,198,738,900
2018	75,738,300	6,514,545,800	38,113,000	457,853,700	80,779,900	22,287,000	7,189,317,700
2017	62,232,800	6,511,414,300	39,947,500	457,480,800	79,030,300	22,287,000	7,172,392,700

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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fund Balance Utilized	\$4,200,000	\$4,600,000	\$5,550,000	\$5,300,000	\$5,600,000
Miscellaneous Revenues	5,597,346	4,961,695	5,621,571	5,493,380	5,057,154
Receipts from Delinquent Taxes	800,000	600,000	700,000	750,000	750,000
Amount to be Raised by Taxation	<u>26,270,009</u>	<u>27,237,654</u>	<u>27,187,414</u>	<u>28,485,443</u>	<u>29,174,781</u>
Total Revenue:	<u>\$36,867,355</u>	<u>\$37,399,349</u>	<u>\$39,058,985</u>	<u>\$40,028,823</u>	<u>\$40,581,935</u>
<u>Appropriations</u>					
General Appropriations	\$29,146,339	\$29,575,309	\$30,974,151	\$31,564,341	\$31,739,899
Operations (Excluded from CAPS)	1,161,736	1,167,697	1,234,061	1,157,467	1,181,629
Deferred Charges and Statutory Expenditures	212,000	0	0	187,423	345,724
Capital Improvement Fund	200,000	375,000	400,000	300,000	350,000
Municipal Debt Service	3,687,461	3,783,800	3,916,272	4,218,301	4,312,996
Reserve for Uncollected Taxes	<u>2,459,819</u>	<u>2,497,543</u>	<u>2,534,501</u>	<u>2,601,290</u>	<u>2,651,687</u>
Total Appropriations:	<u>\$36,867,355</u>	<u>\$37,399,349</u>	<u>\$39,058,985</u>	<u>\$40,028,823</u>	<u>\$40,581,935</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>
2020	\$12,637,143	\$5,600,000
2019	11,250,676	5,300,000
2018	11,329,557	5,550,000
2017	10,030,038	4,600,000
2016	8,650,387	4,200,000

Source: Annual Audit Reports of the Township

Water Utility Operating Fund

The following table lists the Township'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>		
<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$4,956,387	\$1,999,298
2019	3,589,739	1,909,466
2018	3,324,256	2,000,000
2017	3,013,047	2,789,956
2016	4,188,627	2,366,738

Source: Annual Audit Reports of the Township

Recreation and Swim Utility Operating Fund

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

<u>Fund Balance Recreation and Swim Utility Operating Fund</u>		
<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020	\$247,591	\$876
2019	204,747	189,691
2018	259,729	249,606
2017	201,095	180,000
2016	296,234	285,000

Source: Annual Audit Reports of the Township

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Township Indebtedness as of December 31, 2020

General Purpose Debt

Serial Bonds	\$36,143,000
Bond Anticipation Notes	10,953,000
Bonds and Notes Authorized but Not Issued	9,422,140
Other Bonds, Notes and Loans	<u>56,314</u>
Total:	\$56,574,454

Local School District Debt

Serial Bonds	\$14,716,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$14,716,000

Regional School District Debt

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

Self-Liquidating Debt

Serial Bonds	\$10,739,000
Bond Anticipation Notes	3,010,000
Bonds and Notes Authorized but Not Issued	5,000,682
Other Bonds, Notes and Loans	<u>15,515,942</u>
Total:	\$34,265,625

TOTAL GROSS DEBT

\$105,556,079

Less: Statutory Deductions

General Purpose Debt	\$90,726
Local School District Debt	14,716,000
Regional School District Debt	0
Self-Liquidating Debt	<u>34,265,625</u>
Total:	\$49,072,351

TOTAL NET DEBT

\$56,483,727

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2020)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$14,716,000	100.00%	\$14,716,000
Regional School District	0	23.50%	0
Western Monmouth Utilites Authority	21,355,846	49.82%	10,639,482
County	1,283,315,000	6.09%	<u>78,146,398</u>
Net Indirect Debt			\$103,501,880
Net Direct Debt			<u>56,483,727</u>
Total Net Direct and Indirect Debt			<u>\$159,985,607</u>

Debt Limit

Average Equalized Valuation Basis (2018, 2019, 2020)	\$8,116,203,264
Permitted Debt Limitation (3 1/2%)	284,067,114
Less: Net Debt	<u>56,483,727</u>
Remaining Borrowing Power	<u>\$227,583,387</u>
Percentage of Net Debt to Average Equalized Valuation	0.696%
 Gross Debt Per Capita based on 2020 population of 41,502	 \$2,543
Net Debt Per Capita based on 2020 population of 41,502	\$1,361

Source: Annual Debt Statement of the Township

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

APPENDIX B

**Financial Statements of The Board of Education of the
Freehold Regional High School District
in the County of Monmouth, New Jersey**

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APPENDIX B

**FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2020**

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Freehold Regional High School District
County of Monmouth
Englishtown, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freehold Regional High School District, County of Monmouth, New Jersey as of and for the year ended June 30, 2020, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freehold Regional High School District, County of Monmouth, New Jersey as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2021 on our consideration of the Freehold Regional High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Freehold Regional High School District's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Robert W. Swisher
Robert W. Swisher, C.P.A., R.M.A., P.S.A

January 27, 2021

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 40,082,558	\$	\$	\$ 40,082,558
Cash with fiscal agents	130,360			130,360
Other receivables	1,130	17,172		18,302
Due from other funds	546,896		1,357,394	1,904,290
Receivables from other governments	3,443,815	672,017		4,115,832
Total assets	44,204,759	689,189	1,357,394	46,251,342
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	946,538	144,028		1,090,566
Payable to state government		12,565		12,565
Interfund payables	2,013,381	373,748		2,387,129
Unearned revenue		158,848		158,848
Other current liabilities	462			462
Accrued liability for insurance claims	7,620,000			7,620,000
Total liabilities	10,580,381	689,189		11,269,570
Fund balances:				
Restricted:				
Capital Reserve Account	7,335,861			7,335,861
Emergency Reserve Account	258,191			258,191
Maintenance Reserve Account	1,519,191			1,519,191
Excess Surplus designated for subsequent years expenditures	9,409,621			9,409,621
Excess surplus	14,109,062			14,109,062
Capital Projects fund			1,268,263	1,268,263
Assigned:				
Encumbrances	502,073		89,131	591,204
Total fund balances	33,624,378		1,357,394	34,981,772
Total liabilities and fund balances	\$ 44,204,759	\$ 689,189	\$ 1,357,394	\$ 46,251,342

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

Total Fund Balances (Brought Forward)		\$	34,981,772
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Cost of Assets	\$	274,660,998	
Accumulated Depreciation		<u>(165,282,043)</u>	
			109,378,955
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Net Pension Expense		(44,931,347)	
Compensated Absences		(3,109,251)	
Capital Lease Payable		<u>(17,553,355)</u>	
			(65,593,953)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.			
Deferred Outflows:			
Pension related	\$	6,104,687	
Employer Contribution related to pensions		<u>2,639,631</u>	
		8,744,318	
			8,744,318
Deferred Inflows:			
Pension related			(18,069,630)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.			
Accounts Payable - Pension Related		<u>(2,639,631)</u>	
			<u>(2,639,631)</u>
Net Position of Governmental Activities		\$	<u><u>66,801,831</u></u>

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local Tax Levy	\$ 137,626,773	\$	\$	4,136,159	\$ 141,762,932
Tuition From Individuals	566				566
Tuition - Other LEA's	26,286				26,286
Tuition - Other Governmental Sources	224,312				224,312
Transportation Fees Other LEA's	94,101				94,101
Unrestricted Miscellaneous Revenue	626,910				626,910
Interest Earned on Emergency Reserve	3,054				3,054
Interest Earned on Maintenance Reserve	17,968				17,968
Interest Earned on Capital Reserve Funds	38,862				38,862
Other Restricted Miscellaneous Revenue	102,929	161,684			264,613
Total - local sources	138,761,761	161,684		4,136,159	143,059,604
State sources	77,972,453	206,628	(66)	1,329,091	79,508,106
Federal sources	120,525	3,006,991			3,127,516
Total revenues	216,854,739	3,375,303	(66)	5,465,250	225,695,226
EXPENDITURES:					
Current expense:					
Regular instruction	55,869,351	751,166			56,620,517
Special instruction	13,387,371	2,140,331			15,527,702
Other instruction	6,262,519				6,262,519
Support services:					
Tuition	14,887,892				14,887,892
Student & instruction related services	17,706,267	448,977			18,155,244
General administrative services	1,825,993				1,825,993
School administrative services	6,821,962				6,821,962
Central service	1,607,486				1,607,486
Administrative information technology services	2,029,901				2,029,901
Plant operations and maintenance	14,265,710				14,265,710
Pupil transportation	16,957,590				16,957,590
Unallocated benefits	57,904,007				57,904,007
Debt Service:					
Principal				5,205,000	5,205,000
Interest				260,250	260,250
Capital outlay	1,835,267	34,829			1,870,096
Total expenditures	211,361,316	3,375,303		5,465,250	220,201,869
Excess (deficiency) of revenues over (under) expenditures	5,493,423		(66)		5,493,357
Fund balances, July 1, 2019	28,130,955		1,357,460		29,488,415
Fund balances, June 30, 2020	\$ 33,624,378	\$	\$ 1,357,394	\$	\$ 34,981,772

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds (from B-2)	\$	5,493,357
<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. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation expense		(7,363,780)
Capital outlays	\$ 1,870,096	
Less: Capital Outlays not capitalized	<u>(8,101)</u>	1,861,995
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the statement of activities.</p>		
		5,205,000
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the statement of activities.</p>		
Payment of capital lease payable		3,346,834
<p>In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.</p>		
		86,750
<p>Bond Issue costs are reported in the Governmental Funds as expenditures in the year the bonds are issued. However, on the Statement of Activities the costs are amortized over the life of the Bonds.</p>		
		(10,807)
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
District pension contributions	2,425,575	
Less: Pension expense	<u>(2,033,846)</u>	391,729
<p>In the statement of activities, contributed capital assets are reflected in the activity in which they are utilized whereas in the governmental funds, they are reflected as an expense. The change in net assets on the statement of activities must therefore reflect this contribution as a transfer</p> <p>In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-). When the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
		<u>(54,036)</u>
Change in net position of governmental activities (A-2)	\$	<u>8,957,042</u>

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2020

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE</u>	<u>EXTRA-CURRICULAR</u>	<u>TOTAL</u>
	<u>FUND</u>	<u>FUND</u>	
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 94,830	\$	\$ 94,830
Accounts receivable:			
State	3,882		3,882
Federal	8,548		8,548
Other	2,855		2,855
Interfund Receivable	482,708	34,690	517,398
Inventories	52,793		52,793
	<hr/>	<hr/>	<hr/>
Total current assets	645,616	34,690	680,306
	<hr/>	<hr/>	<hr/>
Noncurrent assets:			
Furniture, machinery and equipment	1,050,694		1,050,694
Less accumulated depreciation	(666,283)		(666,283)
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	384,411		384,411
	<hr/>	<hr/>	<hr/>
Total assets	1,030,027	34,690	1,064,717
	<hr/>	<hr/>	<hr/>
LIABILITIES:			
Current liabilities:			
Accounts Payable	165	34,690	34,855
Lease Payable	516,726		516,726
Unearned Revenue	122,358		122,358
	<hr/>	<hr/>	<hr/>
Total current liabilities	639,249	34,690	673,939
	<hr/>	<hr/>	<hr/>
NET POSITION:			
Net investment in capital assets	61,045		61,045
Unrestricted	329,733		329,733
	<hr/>	<hr/>	<hr/>
Total net position	\$ 390,778	\$	\$ 390,778
	<hr/>	<hr/>	<hr/>

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE</u>	<u>EXTRA-CURRICULAR</u>	
	<u>FUND</u>	<u>FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges for services:			
Daily sales - Reimbursable programs	\$ 471,981	\$	\$ 471,981
Daily sales - Non-reimbursable programs	833,179		833,179
Special Functions	29,735		29,735
Fees - individuals		214,318	214,318
Total operating revenues	1,334,895	214,318	1,549,213
OPERATING EXPENSES:			
Cost of sales - reimbursable programs	422,653		422,653
Cost of sales - non-reimbursable programs	364,672		364,672
Salaries and benefits	788,420	93,985	882,405
Supplies and materials	50,576		50,576
Management fee	95,574		95,574
Miscellaneous	103,507	25,758	129,265
Depreciation	51,439		51,439
Lease Purchase Interest	19,930		19,930
Facility Rental		94,575	94,575
Total operating expenses	1,896,771	214,318	2,111,089
Operating (loss)	(561,876)		(561,876)
NONOPERATING REVENUES (EXPENSES):			
State Sources			
State school lunch program	14,518		14,518
Federal Sources			
National school lunch program	330,468		330,468
School breakfast program	46,488		46,488
National food distribution commodities	93,299		93,299
Total nonoperating revenues (expenses)	484,773		484,773
Income (loss) before contributions and transfers	(77,103)		(77,103)
Change in net position	(77,103)		(77,103)
Total net position - beginning	467,881		467,881
Total net position - ending	\$ 390,778	\$	\$ 390,778

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE FUND	EXTRA-CURRICULAR FUND	TOTAL
Cash flows from operating activities:			
Receipts from customers	\$ 1,360,936	\$ 394,972	\$ 1,755,908
Payments to employees	(763,692)	(93,985)	(857,677)
Payments to suppliers	(996,535)	(120,333)	(1,116,868)
Net cash provided by (used for) operating activities	(424,019)	180,654	(243,365)
Cash flows from noncapital financing activities:			
State sources	11,544		11,544
Federal sources	395,504		395,504
Operating subsidies and transfers to other funds	66,750	(180,654)	(113,904)
Net cash provided by noncapital financing activities	473,798	(180,654)	293,144
Cash flows from capital and related financing activities:			
Capital Lease Payment	(118,657)		(118,657)
Net cash provided by (used for) capital and related financing activities	(118,657)		(118,657)
Net increase (decrease) in cash and cash equivalents	(68,878)		(68,878)
Cash and cash equivalents, July 1, 2019	163,708		163,708
Cash and cash equivalents, June 30, 2020	\$ 94,830	\$	\$ 94,830
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (561,876)	\$	\$ (561,876)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	51,439		51,439
Federal commodities	93,299		93,299
Change in assets and liabilities:			
(Increase) decrease in accounts receivable, net	6,530	145,964	152,494
Increase (decrease) in unearned revenue	15,941		15,941
Increase (decrease) in accounts payable	(354)	34,690	34,336
(Increase) decrease in inventories	(28,998)		(28,998)
	137,857	180,654	318,511
Net cash provided by (used for) operating activities	\$ (424,019)	\$ 180,654	\$ (243,365)

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation <u>Insurance Trust</u>	Private Purpose <u>Trust</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 1,138,846	\$ 832,079	\$ 4,699,236
Accounts receivable			212
	<hr/>	<hr/>	<hr/>
Total assets	<u>1,138,846</u>	<u>832,079</u>	<u>4,699,448</u>
LIABILITIES:			
Accounts payable	66,166		
Interfund payable			34,559
Payable to student groups			1,134,471
Wage Payable - Summer Payroll			3,492,511
Payroll deductions and withholdings			37,907
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>66,166</u>	<hr/>	<u>4,699,448</u>
NET POSITION:			
Held in trust for State Unemployment			
Insurance claims and other purposes	1,072,680		
Held in trust for scholarships and			
other purposes		832,079	
	<hr/>	<hr/>	<hr/>
Total net position	\$ <u>1,072,680</u>	\$ <u>832,079</u>	<u></u>

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

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation <u>Insurance Trust</u>	Private Purpose <u>Trust</u>	<u>Total</u>
ADDITIONS:			
Contributions:			
Plan member	\$ 309,879	\$ 309,879	\$ 309,879
Donations	<u>25,365</u>	<u>25,365</u>	<u>25,365</u>
Total contributions	<u>309,879</u>	<u>25,365</u>	<u>335,244</u>
Investment earnings:			
Interest	<u>7,620</u>	<u>6,236</u>	<u>13,856</u>
Net investment earnings	<u>7,620</u>	<u>6,236</u>	<u>13,856</u>
Total additions	<u>317,499</u>	<u>31,601</u>	<u>349,100</u>
DEDUCTIONS:			
Quarterly Contribution Reports	164,508		164,508
Unemployment Claims	134,262		134,262
Scholarships Awarded	<u>51,100</u>	<u>51,100</u>	<u>51,100</u>
Total deductions	<u>298,770</u>	<u>51,100</u>	<u>349,870</u>
Change in net position	18,729	(19,499)	(770)
Net position beginning of year	1,053,951	851,578	1,905,529
Net position end of year	<u>\$ 1,072,680</u>	<u>\$ 832,079</u>	<u>\$ 1,904,759</u>

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Freehold Regional High 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:

Reporting Entity

The Freehold Regional High School District is a Type II District located in Monmouth County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board of Education of the Freehold Regional High School District, comprised of nine elected individuals, is the primary governing authority of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

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

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include six High Schools. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

The District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Governmental Funds

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

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. U.S. Generally Accepted Accounting Principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to the current expense by Board resolution; in certain instances approval by the County Superintendent of Schools may also be required.

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Proprietary Funds

Enterprise Fund The enterprise fund accounts for all revenues and expenses pertaining to the District's Food Service and Extra-Curricular (Ice Hockey) program operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (*i.e.*, expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Funds

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency, private purpose and state unemployment insurance). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, employees, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The District's Fiduciary funds are as follows:

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

Unemployment Compensation Insurance Trust Fund This is an expendable trust fund used to account for certain unemployment compensation claims as they arise.

Private Purpose Trust Funds These trust funds are used to account for assets donated by individuals that will provide for the payment of scholarships.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting-Measurement Focus

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation for expenses versus expenditures. 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 voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution.

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

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated (N.J.S.A. 18A:22-44.2) revenue recognition of one or more deferred State Aid payments for budgetary purposes only due to the State deferral of such payments into the subsequent budget year and the accounting treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

Open encumbrances in the special revenue for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

	<u>Estimated Life</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and computer equipment	10
Instructional equipment	10
Grounds equipment	15

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy and/or collective bargaining unit contracts. Benefits are paid upon termination.

The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

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

Fund Equity

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

Unearned Revenue

Unearned revenue in the General, Special Revenue and Proprietary funds represents funds which have been received but not yet earned.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

Fund Balance Reserves

The District has implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement modifies fund balance reporting and clarifies fund type definitions. This Statement aims to enhance the usefulness of fund balance information by providing clearer fund balance clarifications that can be applied more consistently.

Under the new standard, in the fund financial statements, governmental funds report the following classifications of fund balance:

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves (Continued)

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

Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The District does not report any Fund Balance in this category

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

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

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

Revenues Exchange and Non-exchange Transactions

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-exchange Transactions (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from property taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Operating Revenues and Expenses

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

Allocation of Indirect Expenses

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Extraordinary and Special Items

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

Management Estimates

The preparation of financial statements in conformity with 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.

Accounting and Financial Reporting for Pensions

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

In the Governmental Fund Financial Statements, the year end Net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1st of each fiscal year. TPAF contributions are paid on the District's behalf by the State of New Jersey. The Governmental Fund Financial Statements reflect both a revenue and expenses for this pension contribution.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies as a Deferred Inflow. Deferred amounts related to pensions.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board considers petty cash, change funds, cash in banks, and short term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Deposits

The Freehold Regional High School District had the following cash and cash equivalents at June 30, 2020:

<u>Fund Type</u>	<u>Amount</u>
Cash in Bank:	
Governmental Funds	\$ 43,490,319
Proprietary Funds	94,884
Fiduciary Funds	7,893,662
Total Cash in Bank	\$ 51,478,865
Less: Reconciling Items	4,500,956
	\$ 46,977,909

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2020, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank of \$51,478,865, \$750,000 was covered by Federal Depository Insurance, and \$50,728,865 was covered under the provisions of NJGUDPA.

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a1 et seq., and operated in accordance with 17 C.F.R. § 270.2a7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Investments (Continued)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 C. 17:1941); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Investments (Continued)

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1, and existing investment practices of NJARM, the District is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: RECEIVABLES

Receivables at June 30, 2020 are listed below. All receivables are considered collectible in full. A summary of the principal items of governmental receivables follows:

	Governmental Financial Statements	District-Wide Financial Statements
State Aid	\$3,419,277	\$ 3,419,277
Federal Aid	696,555	696,555
Interfunds	1,904,290	
Other	18,302	18,302
Gross Receivables	<u>6,038,424</u>	<u>4,134,134</u>
Less: Allowance for Uncollectibles		-
Total Receivables, Net	<u><u>\$6,038,424</u></u>	<u><u>\$4,134,134</u></u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Transfers or Retirements	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 446,488			\$ 446,488
Construction In Progress	187,234	\$ 1,500,500		1,687,734
Total capital assets not being depreciated	633,722	1,500,500	-	2,134,222
<i>Capital assets being depreciated:</i>				
Site improvements	17,860,618	31,610		17,892,228
Building and improvements	230,755,191	32,475		230,787,666
Equipment	23,709,474	297,410	(160,002)	23,846,882
Total capital assets being depreciated	272,325,283	361,495	(160,002)	272,526,776
Total Gross Assets (Memo Only)	272,959,005	1,861,995	(160,002)	274,660,998
Less accumulated depreciation for:				
Site improvements	(8,971,860)	(863,001)		(9,834,861)
Building and improvements	(131,443,219)	(5,065,015)		(136,508,234)
Equipment	(17,663,186)	(1,435,764)	160,002	(18,938,948)
Total accumulated depreciation	(158,078,265)	(7,363,780)	160,002	(165,282,043)
Total capital assets being depreciated, net	114,247,018	(7,002,285)	-	107,244,733
Government activities capital assets, net	\$ 114,880,740	\$(5,501,785)	\$ -	\$ 109,378,955
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 1,050,693			\$ 1,050,693
Less accumulated depreciation	(614,843)	\$ (51,439)		(666,282)
Enterprise fund capital assets, net	\$ 435,850	\$ (51,439)	\$ -	\$ 384,411

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functional expenses areas of the District as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 113,454
Other Instruction	2,913
Student & Instruction Related Services	33,914
General Administrative Services	1,670
School Administrative Services	5,035
Central Service	4,356
Administrative Technology	329,081
Plant, Operations & Maintenance	92,830
Pupil Transportation	801,849
Unallocated	<u>5,978,678</u>
	\$ <u><u>7,363,780</u></u>

NOTE 5: LONG-TERM LIABILITIES

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

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of transactions that affect long-term liabilities for the year ended June 30, 2020:

Governmental Funds:

	Balance June 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2020</u>	Amounts due Within <u>one year</u>
Bonds Payable	\$5,205,000		\$5,205,000		
Compensated Absences	3,055,215	\$ 54,036		\$ 3,109,251	
Capital Leases Payable	20,900,189		3,346,834	17,553,355	\$ 2,357,652
Pension Liability	50,489,491		5,558,144	44,931,347	
Total	<u>\$79,649,895</u>	<u>\$54,036</u>	<u>\$14,109,978</u>	<u>\$65,593,953</u>	<u>\$2,357,652</u>

Food Service Fund:

	Balance June 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2020</u>	Amounts due Within <u>one year</u>
Capital Leases Payable	\$ 635,383	\$ -	\$ 118,657	\$ 516,726	\$ 123,626
Total	<u>\$ 635,383</u>	<u>\$ -</u>	<u>\$ 118,657</u>	<u>\$ 516,726</u>	<u>\$ 123,626</u>

Debt Service Requirements:

The last remaining payments of principal and interest on bonded debt outstanding were paid in full during Fiscal Year 2020. Therefore, there are no further annual requirements to report.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Refunding School Bonds

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The cost associated with the issues of the various bonds amounted to \$639,077. The current year portion charged to the Statement of Activities was \$10,807 leaving a balance of \$0. Under the escrow agreement, the escrow is irrevocably pledged to the payment of principal and interest on the refunded bonds. As a result, the refunded obligations are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Bonds Authorized But Not Issued

As of June 30, 2020, the District had no Bonds Authorized but not issued.

Capital Leases Payable

The District is leasing various equipment and improvements totaling \$30,103,250 as follows:

<u>Description</u>	<u>Date</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Amount</u>
District Wide Energy Savings Improvement Plan	12/31/13	15 Years	2.690%	\$17,498,000
Roof Replacement	12/31/14	5 Years	1.570%	\$3,250,000
School Buses and Maintenance Vehicles	12/31/15	5 Years	1.433%	\$1,661,250
School Buses, Technology and Copiers	7/15/16	5 Years	1.290%	\$3,052,000
School Buses, Technology and Buildings and Grounds Equipment	7/15/17	5 Years	1.680%	\$2,560,000
School Buses, Technology, Cafeteria, and Buildings and Grounds Equipment	7/15/18	5 Years	2.896%	\$2,082,000

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable (Continued)

The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2020:

Fiscal Year Ended June 30,	Governmental Funds	Business-Type Activities Food Service Fund
2021	\$ 2,792,737	\$ 138,589
2022	2,778,054	138,589
2023	2,180,071	138,589
2024	1,678,698	138,589
2025	1,401,838	
2026-2030	7,621,080	
2031	1,548,154	
	<hr/>	<hr/>
Total Minimum Lease Payments	20,000,632	554,356
Less: Amount Representing Interest	2,447,277	37,630
	<hr/>	<hr/>
Present Value of Lease Payments	\$ 17,553,355	\$ 516,726
	<hr/>	<hr/>

Operating Leases

The District has a commitment to lease building space, and a parking lot under an operating lease that expires on June 30, 2021. The District also has operating leases for copiers and a postage machine that expire on various dates over the next five years. The total operating lease payments made during the year ended June 30, 2020 were \$235,795.

Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>
2021	\$241,892
2022	8,767
2023	4,189
2024	<u>2,278</u>
	<hr/>
Total minimum lease payments	<u>\$257,126</u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: PENSION PLANS

Description of Plans All required employees of the District are covered by the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund or the Defined Contribution Retirement Program which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of each system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the above systems. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or online at www.state.nj.us/treasury/pensions.

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

Public Employees' Retirement System (PERS) The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

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

Significant Legislation

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: PENSION PLANS (CONTINUED)

Pension Plan Design Changes

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

Funding Changes

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

COLA Suspension

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

Vesting and Benefit Provisions The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: PENSION PLANS (CONTINUED)

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

Three Year Trend Information for PERS

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2020	\$2,425,575	100%	\$2,425,575
2019	\$2,550,635	100%	\$2,550,635
2018	\$2,340,754	100%	\$2,340,754

Three Year Trend Information for TPAF (On-Behalf)

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2020	\$16,447,694	100%	-0-
2019	\$14,884,315	100%	-0-
2018	\$11,260,712	100%	-0-

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District for the years ended June 30, 2020, 2019 and 2018 \$5,677,663, \$5,606,650, and \$5,644,204, respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Public Employees Retirement System (PERS)

At June 30, 2020, the District reported a liability of \$44,931,347 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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 members, actuarially determined. At June 30, 2019, the District's proportion was 0.2493625419 percent, which was an increase of 0.0070659481 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,033,841 in the district-wide financial statements. This pension expense was based on the pension plans June 30, 2019 measurement date.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$806,459	\$198,487
Changes of assumptions	4,486,560	15,595,528
Net difference between projected and actual earnings on pension plan investments		709,259
Changes in proportion and differences between District contributions and proportionate share of contributions	811,668	1,566,356
District contributions subsequent to the measurement date	<u>2,639,631</u>	<u> </u>
	<u><u>\$8,744,318</u></u>	<u><u>\$18,069,630</u></u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Public Employees Retirement System (PERS) (Continued)

The \$2,639,631 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2020, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2020	(\$1,448,350)
2021	(4,359,720)
2022	(3,909,135)
2023	(1,915,605)
2024	<u>(332,133)</u>
	<u><u>(\$11,964,943)</u></u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. These actuarial valuations used the following assumptions:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Inflation	2.75%	2.25%
Salary Increases		
Through 2026	2.00-6.00%	1.65-4.15%
Thereafter	3.00-7.00%	2.65-5.15%
	Based on	Based on
	Years of Service	Age
Investment Rate of Return	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at both June 30, 2019 and June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Market Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and June 30, 2018, respectively. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2019 and June 30, 2018 and a municipal bond rate of 3.50% and 3.87% for June 30, 2019 and June 30, 2018 respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective 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, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>5.28%</u>	At Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
District's proportionate share of the net pension liability	\$61,735,382	\$44,931,347	\$38,496,489

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2020 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share	
associated with the District	<u>\$454,929,037</u>
	<u><u>\$454,929,037</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 which was rolled forward to June 30, 2019. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the proportion of the TPAF net pension liability associated with the District was .7412775633% which was a decrease of .0052636103 percent from its proportion measured as of June 30, 2018.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue of \$26,832,931 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2019 measurement date.

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	1.55%-4.45%	1.55%-4.55%
	Based on Years of Service	Based on Years of Service
Thereafter	2.75%-5.65%	2.00%-5.45%
	Based on Years of Service	Based on Years of Service
Investment Rate of Return	7.00%	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% and 7.00% at June 30, 2019 and June 30, 2018 respectively) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Market Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.60% and 4.86% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

Pension Plan Fiduciary Net Position

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, which is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Employees Covered by Benefit Terms

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	148,051
Inactive Plan Members or Beneficiaries	
Not Yet Receiving Benefits	<u>- 0 -</u>
Total Plan Members	<u>364,943</u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Total Non-Employer OPEB Liability

The portion of the total Non-Employer OPEB Liability that was associated with the District at June 30, 2020 was as follows:

Total OPEB Liability:	
District's Proportionate Share	\$-0-
State's Proportionate Share associated with the District	<u>270,773,043</u>
	<u><u>\$270,773,043</u></u>

The total Non-Employer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

The total Non-Employer OPEB liability was determined separately based on actual data of the District.

For the year ended June 30, 2020, the District recognized on-behalf post-employment expense and revenue of \$6,359,989 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2019 measurement date.

At June 30, 2019, the District's proportion was .6488833116 percent, which was an increase of .0020107446 from its proportion measured as of June 30, 2018.

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, TPAF/ABP and PFRS participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the District did not recognize any portion of the collective Non-Employer OPEB liability on the Statement of Net Position.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Imputes

The total Non-Employer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>TPAF/ABP</u>	<u>June 30, 2019</u> <u>PERS</u>	<u>PFRS</u>
Inflation – 2.5%			
Salary Increases			
Through 2026	1.55-3.05%*	2.00-6.00%*	3.25-15.25%*
Thereafter	1.55-3.05%*	3.00-7.00%*	Applied to All Future Years

*Based on Years of Service

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013 - June 30, 2018 for TPAF, PERS and PFRS, respectively.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Imputes (Continued)

Discount Rate

The discount rate for June 30, 2020 and June 30, 2019 was 3.50% and 3.87% 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total Non-Employer OPEB Liability

Shown below are details regarding The Total OPEB non-employer Liability associated with the District for the measurement period from June 30, 2018 to June 30, 2019.

Balance at 6/30/18		\$298,278,329
Changes for the year:		
Service cost	10,681,794	
Interest	11,802,170	
Differences between expected and actual experience	(45,960,962)	
Changes in assumptions or other inputs	4,037,248	
Membership Contributions	246,389	
Benefit payments - Net	(8,311,925)	
Net changes		<u>(27,505,286)</u>
Balance at 6/30/19		<u><u>\$270,773,043</u></u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2019		
	<u>1.00%</u> <u>Decrease (2.50%)</u>	<u>At Discount</u> <u>Rate (3.50)</u>	<u>1.00%</u> <u>Increase (4.50%)</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$319,889,966	\$270,773,043	\$231,757,252

Sensitivity of the Total Non-Employer OPEB Liability to Changes in Healthcare Trends

The following presents the total Non-Employer OPEB liability associated with the District as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2019		
	<u>1.00%</u> <u>Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rate</u>	<u>1.00%</u> <u>Increase</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$223,104,918	\$270,773,043	\$333,875,852

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's Non-Employer OPEB Liability associated with the District from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$	\$ 68,035,190
Changes of assumptions		55,035,228
Changes in proportion	<u>3,170,183</u>	<u>434,606</u>
	\$ <u><u>3,170,183</u></u>	\$ <u><u>123,505,024</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability associated with the District will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	(\$15,976,875)
2021	(\$15,976,875)
2022	(\$15,976,875)
2023	(\$15,976,875)
2024	(\$15,976,875)
Total Thereafter	<u>(\$40,450,468)</u>
	<u><u>(\$120,334,841)</u></u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability (Continued)

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

NOTE 8: LITIGATION

The District's counsel advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School District and which might materially affect the District's financial position with the exception of the following:

MON-L-002968-20 This matter involves potential claims against the District for alleged actions that occurred during the 1985-1986 school year. It should be noted that this claim was brought pursuant to the recently enacted legislation in the State of New Jersey that provides a window for certain claims that were previously time barred to now be brought. Due to the length of time since the alleged acts occurred and the fact that the Board is still investigating the allegations, the Board's position is unclear at this time. However, should this matter go to trial and the jury finds against the Board, the amount of damages that the Board could be responsible for, based on the damages requested in the Complaint, is \$10,000,000.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 9: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2019-2020 fiscal year were subject to the Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance - The District maintains insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

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

Year Ended			Employee	Amount	Ending
<u>June 30,</u>	<u>Interest</u>		<u>Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2020	\$ 7,620	\$	309,879	\$ 298,770	\$ 1,072,680
2019	6220		249,508	234,375	1,053,951
2018	596		251,611	230,030	1,032,598

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 10: RISK MANAGEMENT (CONTINUED)

Workers' Compensation Insurance - The Board is self-insured for workers' compensation insurance. Claims are managed by PMA Management Corp. through a service agreement for which competitive proposals were sought. The financial statements reflect the current expenses of the program as well as an accrued liability for future claims against the current fiscal year. At June 30, 2020, the amount was \$3,220,000.

Health Benefits - The District provides health benefits to employees through a minimum premium insurance policy administered by Horizon Blue Cross Blue Shield of New Jersey ("Horizon"). The incurred but not reported liability ("IBNR") actuarially computed by Horizon was \$4,400,000 at June 30, 2020. It was also noted that the entire IBNR is adjusted for changes in estimate at year end and such changes are reflected in the district's budget and the entire liability is treated as a liability for budgetary purposes.

NOTE 11: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net assets. As of June 30, 2020, a liability existed for compensated absences for governmental fund-types in the district- wide Statement of Net Position in the amount of \$3,109,251.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 12: FUND BALANCE APPROPRIATED

General Fund The table below reflects the District's Fund Balance at June 30, 2020 on both a GAAP (Exhibit B-1) and Budgetary (Exhibit C-1) basis including the required adjustment related to the last state aid payment which under GAAP is not recognized:

	<u>Budgetary</u> <u>Basis</u>	<u>Adjustment</u>	<u>GAAP</u> <u>Basis</u>
Restricted:			
Designated for Subsequent			
Year's Expenditures:			
Excess Surplus	\$ 9,409,621	\$	9,409,621
Excess Surplus Current Year	14,505,870	(396,808)	14,109,062
Maintenance Reserve	1,519,191		1,519,191
Capital Reserve	7,335,861		7,335,861
Emergency Reserve	258,191		258,191
Assigned:			
Designated for Subsequent			
Year's Expenditures:	490,379		490,379
Encumbrances	502,073		502,073
Unassigned	4,179,439	(4,179,439)	
	\$ <u>38,200,625</u>	\$ <u>(4,576,247)</u>	\$ <u>33,624,378</u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 13: CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS

Calculation of Excess Surplus In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2007, c73 (S1701), the Restricted Fund Balance- Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if the District did not appropriate a required minimum amount as budgeted fund balance in the subsequent year's budget.

General Fund Expenditures:		
Fiscal Year Ended, June 30, 2020	\$	211,361,316
Less:		
Reimb. TPAF Social Security Contributions	\$	5,677,663
Reimb. TPAF Pension Contributions		<u>22,559,827</u>
		28,237,490
Adjusted General Fund Expenditures		183,123,826
Excess Surplus Percentage		<u>2.00%</u>
		3,662,477
Increased by:		
Extraordinary Aid (unbudgeted)		<u>516,963</u>
		516,963
Maximum Unreserved/Undesignated General Fund Balance		4,179,440
Actual Unassigned - General Fund Balance		<u>18,685,310</u>
Excess Surplus	\$	<u><u>14,505,870</u></u>
Recapitulation of Excess Surplus, June 30, 2020:		
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditure	\$	9,409,621
Restricted for Excess Surplus		<u>14,505,870</u>
	\$	<u><u>23,915,491</u></u>

As of June 30, 2020, \$9,409,621 is reported as Restricted Fund Balance Excess Surplus Designated for Subsequent Year's Expenditure and is required to be appropriated for property tax relief in the 2020-21 budget. \$14,505,870 is reported as Restricted Fund Balance Excess Surplus and is required to be appropriated for property tax relief in the 2021-22 budget.

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2020:

<u>Fund</u>	<u>Interfund Balance</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$	\$ 1,466,485
Special Revenue Fund		373,748
Capital Projects Fund	1,357,394	
Proprietary Funds	517,398	
Fiduciary Funds		34,559
	<u>\$ 1,874,792</u>	<u>\$ 1,874,792</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Freehold Regional High School District Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 15: CAPITAL RESERVE ACCOUNT (CONTINUED)

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Balance, July 1, 2019		\$	3,246,999
Increased by:			
Transfer Unexpended Appropriations to Capital Reserve	\$	5,000,000	
Interest		<u>38,862</u>	
			<u>5,038,862</u>
			8,285,861
Decreased by:			
Appropriation of Capital Reserve 9/16/19 - Manalapan Auditorium		<u>950,000</u>	
			<u>950,000</u>
Balance, June 30, 2020	\$	<u><u>7,335,861</u></u>	
Recapitulation:			
Capital Reserve	\$	7,335,861	
Balance, June 30, 2020	\$	<u><u>7,335,861</u></u>	

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 16: EMERGENCY RESERVE ACCOUNT

In accordance with N.J.S.A. 18A:7F-41c(1), an emergency reserve account was established by the District. The emergency reserve account is maintained in the general fund.

The funds in the reserve shall be used to finance unanticipated general fund current expense costs required for T&E. For the purpose of the emergency reserve account "unanticipated" shall mean reasonably unforeseeable and shall not include additional costs caused by poor planning or error.

The account balance is not to exceed \$250,000 or one percent of the district's general fund budget up to a maximum of \$1,000,000 whichever is greater. Withdrawals require approval by the Commissioner.

At June 30, 2020, the balance of the Emergency Reserve Account was \$258,191 and is within the statutory limitations.

The activity of the emergency reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Balance, July 1, 2019	\$	255,137
Increased by:		
Interest		<u>3,054</u>
Balance, June 30, 2020	\$	<u><u>258,191</u></u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 17: MAINTENANCE RESERVE ACCOUNT

In accordance with N.J.S.A. 18A:7G-13, a Maintenance reserve account was established by the District. The Maintenance reserve account is maintained in the general fund.

A district board of education or board of school estimate, as appropriate, may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes.

A district board of education or board of school estimate, as appropriate, may by resolution withdraw such funds from the maintenance reserve account and appropriate into the required maintenance account lines at budget time or any time during the year for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan pursuant to N.J.A.C. 6A:26A-4.

The district board of education shall ensure that the maintenance reserve account balance does not, at any time, exceed four percent of the replacement cost of the school district's school facilities for the current year. If the account exceeds this maximum amount at June 30, the district board of education shall reserve and designate such excess in the subsequent year's budget.

At June 30, 2020, the balance of the Maintenance Reserve Account was \$1,519,191 and is within the statutory limitations.

The activity of the emergency reserve for the July 1, 2019 to June 30, 2020, fiscal year is as follows:

Balance, July 1, 2019	\$	1,501,223
Increased by:		
Interest		<u>17,968</u>
Balance, June 30, 2020	\$	<u><u>1,519,191</u></u>

Freehold Regional High School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 18: INVENTORY

Inventory in the Food Service Fund at June 30, 2020 consisted of the following:

Food and Supplies	<u>\$52,793</u>
-------------------	-----------------

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Amendments of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 19: TAX ABATEMENTS

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

The District has identified tax abatement agreements that have been entered into that require disclosure under this statement. The gross dollar amount, on an accrual basis, by which the District's property tax revenues were potentially reduced during the reporting period as a result of tax abatement agreements totaled \$631,695.18. It is important to note that the District Tax Levy is guaranteed to be paid in full by the municipalities and that the District collected its full tax levy for FY2020.

NOTE 20: SUBSEQUENT EVENTS

The Board of Education has evaluated subsequent events occurring after the financial statement date through January 27, 2021 which is the date the financial statements were available to be issued. The District has determined that the following subsequent event requires disclosure:

The ongoing spread of the new COVID-19 has become a threat to the global economy and financial markets. The ultimate effect of COVID-19 on the District and its future operations cannot presently be determined.

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APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

_____, 2021

The Board of Education of the
Freehold Regional High School District
Englishtown, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$14,460,000 aggregate principal amount of School Bonds, Series 2021 (the “Bonds”) of The Board of Education of the Freehold Regional High School District in the County of Monmouth, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the “Education Law”); (ii) a proposal adopted by the Board on August 26, 2021 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 2, 2021 and (iii) a resolution duly adopted by the Board on November 18, 2021 (the “Resolution”).

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form in principal amounts of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing August 15, 2022 and semi-annually thereafter on the fifteenth day of February and August in each year until maturity or prior redemption, and shall mature on August 15 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022	\$490,000	0.050%	2032	\$725,000	2.000%
2023	570,000	1.500	2033	745,000	2.000
2024	585,000	1.500	2034	770,000	2.000
2025	600,000	1.500	2035	790,000	2.000
2026	615,000	2.000	2036	810,000	2.000
2027	635,000	2.000	2037	835,000	2.000
2028	650,000	2.000	2038	860,000	2.000
2029	670,000	2.000	2039	880,000	2.125
2030	690,000	2.000	2040	905,000	2.125
2031	705,000	2.000	2041	930,000	2.125

The Bonds of this issue are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including the bond referendum proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Education Law, the Proposal and the Resolution; (ii) the Bonds are valid and legally binding obligations of the Board; and (iii) all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Board has covenanted to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court

decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

The Bonds maturing on August 15 in the years 2023 through 2034, inclusive (the “Premium Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser’s basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner’s adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on August 15 in the years 2022, 2036 through 2038, inclusive, 2040 and 2041 (the “Discount Bonds”) and their respective initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment,

moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of December 21, 2021 (the “Disclosure Certificate”) is executed and delivered by The Board of Education of the Freehold Regional High School District in the County of Monmouth, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$14,460,000 aggregate principal amount of School Bonds, Series 2021 dated their date of delivery (the “Bonds”). The Bonds are being issued by virtue of a proposal adopted by the Board on August 26, 2021 and approved by the affirmative vote of a majority of the legal voters present and voting at the annual School District election held on November 2, 2021 and pursuant to a resolution entitled, “RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$14,460,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2021 OF THE BOARD OF EDUCATION OF THE FREEHOLD REGIONAL HIGH SCHOOL DISTRICT IN THE COUNTY OF MONMOUTH, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH”, duly adopted by the Board on November 18, 2021 (the “Bond Resolution”). The Board covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an “Obligated Person” under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

“*Continuing Disclosure Information*” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Board with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Business Administrator/Board Secretary of the Board or his/her designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

“Financial Obligation” shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *“Financial Obligation”* shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“SEC Release No. 34-59062” shall mean Release No. 34-59062 of the SEC dated December 5, 2008.

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2021 (for the fiscal year ending June 30, 2021), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial

statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2022) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Board does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall, in a timely manner, send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Board (if the Dissemination Agent is not the Board).

(d) Each year the Dissemination Agent shall file a report with the Board (if the Dissemination Agent is not the Board), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Board changes, the Board shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Board, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. The Board's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Board (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available).

The audited financial statements are to be prepared in accordance with generally accepted accounting principles (GAAP).

(2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated December 9, 2021, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A under the sections relating to (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with

EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Bonds;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Ratings changes rating to the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Board;
- (13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such

an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

The Board shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in this subsection (a) of this section 5, the Board may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Board has or obtains knowledge of the occurrence of any of the Listed Events, the Board shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Board determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Board is not the Dissemination Agent) and the Board shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Board determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Board) and the Dissemination Agent (if the Dissemination Agent is not the Board) shall be instructed by the Board not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Board to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Board (if the Dissemination Agent is not the Board). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Dissemination Agent; Compensation. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Board or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis

of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Board of Education:

The Board of Education of the
Freehold Regional High School District
11 Pine Street
Englishtown, New Jersey 07726
Attention: Business Administrator/Board Secretary

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

The Board of Education of the
Freehold Regional High School District
11 Pine Street
Englishtown, New Jersey 07726
Attention: Business Administrator/Board Secretary

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 14. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 15. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE
FREEHOLD REGIONAL HIGH SCHOOL
DISTRICT**

By: _____
SEAN BOYCE,
Assistant Superintendent for Business
Administration/Board Secretary

EXHIBIT A

**NOTICE TO EMMA OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the
Freehold Regional High School District
in the County of Monmouth, New Jersey

Name of Issue: \$14,460,000 School Bonds, Series 2021
Dated: December 21, 2021
(CUSIP Number: 356478JU2)

Date of Issuance: December 21, 2021

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of December 21, 2021 executed by the Board.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board

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