

OFFICIAL STATEMENT DATED JULY 1, 2020

NEW ISSUE – Book-Entry Only

Ratings: See “RATINGS” herein  
BAM Insured

*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.*

**\$33,154,000**  
**SCHOOL BONDS, SERIES 2020**  
**THE BOARD OF EDUCATION OF THE BOROUGH OF OCEANPORT**  
**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: July 15, as shown on inside cover**

The \$33,154,000 aggregate principal amount of School Bonds, Series 2020 (the “Bonds”), of The Board of Education of the Borough of Oceanport 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 January and July in each year, commencing July 15, 2021, 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 July 1 and January 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 scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”)**. See “BOND INSURANCE” 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 the Machado Law Group, Clark, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about July 15, 2020.

**Baird**

**\$33,154,000**  
**THE BOARD OF EDUCATION OF THE**  
**BOROUGH OF OCEANPORT**  
**IN THE COUNTY OF MONMOUTH, NEW JERSEY**  
**SCHOOL BONDS, SERIES 2020**

(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<br/>(July 15)</u> | <u>Principal<br/>Amounts</u> | <u>Interest<br/>Rates</u> | <u>Yields</u> | <u>CUSIP<br/>Numbers**</u> |
|-------------------------------|------------------------------|---------------------------|---------------|----------------------------|
| 2022                          | \$ 749,000                   | 2.500%                    | 0.650%        | 675311BN3                  |
| 2023                          | 775,000                      | 2.500                     | 0.700         | 675311BP8                  |
| 2024                          | 795,000                      | 2.500                     | 0.800         | 675311BQ6                  |
| 2025                          | 820,000                      | 2.500                     | 0.900         | 675311BR4                  |
| 2026                          | 845,000                      | 2.500                     | 1.050         | 675311BS2                  |
| 2027                          | 870,000                      | 2.500                     | 1.200         | 675311BT0                  |
| 2028                          | 900,000                      | 2.500                     | 1.300*        | 675311BU7                  |
| 2029                          | 925,000                      | 2.500                     | 1.400*        | 675311BV5                  |
| 2030                          | 955,000                      | 2.500                     | 1.550*        | 675311BW3                  |
| 2031                          | 980,000                      | 2.500                     | 1.700*        | 675311BX1                  |
| 2032                          | 1,010,000                    | 2.500                     | 1.800*        | 675311BY9                  |
| 2033                          | 1,045,000                    | 2.500                     | 1.900*        | 675311BZ6                  |
| 2034                          | 1,075,000                    | 2.500                     | 2.000*        | 675311CA0                  |
| 2035                          | 1,105,000                    | 2.500                     | 2.050*        | 675311CB8                  |
| 2036                          | 1,140,000                    | 2.500                     | 2.100*        | 675311CC6                  |
| 2037                          | 1,175,000                    | 2.500                     | 2.150*        | 675311CD4                  |
| 2038                          | 1,210,000                    | 2.500                     | 2.200*        | 675311CE2                  |
| 2039                          | 1,250,000                    | 2.500                     | 2.250*        | 675311CF9                  |
| 2040                          | 1,285,000                    | 2.500                     | 2.300*        | 675311CG7                  |
| 2041                          | 1,325,000                    | 2.500                     | 2.350*        | 675311CH5                  |
| 2042                          | 1,365,000                    | 2.500                     | 2.400*        | 675311CJ1                  |
| 2043                          | 1,405,000                    | 2.500                     | 2.450*        | 675311CK8                  |
| 2044                          | 1,450,000                    | 2.500                     | 2.500         | 675311CL6                  |
| 2045                          | 1,450,000                    | 2.500                     | 2.550         | 675311CM4                  |
| 2046                          | 1,450,000                    | 2.625                     | 2.625         | 675311CN2                  |
| 2047                          | 1,450,000                    | 2.625                     | 2.640         | 675311CP7                  |
| 2048                          | 1,450,000                    | 2.625                     | 2.650         | 675311CQ5                  |
| 2049                          | 1,450,000                    | 2.625                     | 2.660         | 675311CR3                  |
| 2050                          | 1,450,000                    | 2.625                     | 2.670         | 675311CS1                  |

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\* Priced to first optional redemption date of July 15, 2027.

\*\* 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.

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

**BOARD MEMBERS**

President – Bryan Russell  
Vice President – John Fleming

Deirdre Bova  
Andrea Fitzpatrick  
Lisa Harvey  
Rick McKenna  
Mark Patterson  
Maura Kelly  
Marion Wilhalme

**SUPERINTENDENT**

Anne R. Facendo

**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Valery Petrone

**BOARD ATTORNEY**

Machado Law Group  
Clark, New Jersey

**BOARD AUDITOR**

Jump, Perry and Company, L.L.P.  
Toms River, 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.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E – Specimen Municipal Bond Insurance Policy."

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**OFFICIAL STATEMENT**

**OF**

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

**\$33,154,000**

**SCHOOL BONDS, SERIES 2020**

**(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 Borough of Oceanport 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 \$33,154,000 aggregate principal amount of School Bonds, Series 2020 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

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

**DESCRIPTION OF THE BONDS**

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

**Terms and Interest Payment Dates**

The Bonds shall be dated their date of delivery and shall mature on July 15 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the fifteenth day of January and July (each an "Interest Payment Date"), commencing on July 15, 2021, 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 July 1 and January 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 July 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after July 15, 2028 are redeemable at the option of the Board in whole or in part on any date on or after July 15, 2027 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

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

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

### **Security for the Bonds**

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

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

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



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

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

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

### **Authorization and Purpose**

The Bonds have been authorized and are issued pursuant to (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 on October 16, 2019, and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 10, 2019 and (iii) a resolution duly adopted by the Board on May 27, 2020 (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 approximately 40% of the eligible costs of such Project. As such, the State has agreed to pay approximately 40% of the annual debt service on the eligible costs financed by the Bonds each year.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### **Capitalization of BAM**

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

#### **Additional Information Available from BAM**

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditinsights/](http://buildamerica.com/creditinsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

#### **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](http://www.dtcc.com).

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

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

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

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

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

whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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 elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports to the Superintendent of Schools.

The School District is a consolidated, Type II school district comprising the Boroughs of Oceanport and Sea Bright (collectively, the "Constituent Municipalities") and provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade eight (8), including regular and special education programs. The School District's educational facilities consist of one (1) elementary school (Wolf Hill Elementary School) and one (1) middle school (Maple Place Middle School). For ninth

through twelfth grades, public school students attend Shore Regional High School, a regional high school that also serves students from the municipalities of Monmouth Beach, Oceanport, Sea Bright and West Long Branch. See “APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Boroughs of Oceanport and Sea Bright, in the County of Monmouth, State of New Jersey.”

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

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

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

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 without a board of school estimate.

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

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

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

The Budget Election Law, P.L. 2011, c. 202, effective January 17, 2012 (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 (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 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 (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 Pre-Kindergarten (Pre-K) through grade eight (8) 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 Boroughs of Oceanport and Sea Bright, in the County of Monmouth, State of New Jersey."

## **Exceptions to Debt Limitation**

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

## **Energy Saving Obligations**

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

## **SUMMARY OF STATE AID TO SCHOOL DISTRICTS**

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

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

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 2020. 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 2020 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 (with the exception of The Board of Education of the City of Jersey City, where the transition period will be five (5) years). For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one year.

## **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 the Constituent Municipalities is limited by statute, subject to certain exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the 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 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 (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, 2019, together with the notes to the financial statements, have been provided by Jump, Perry and Company, L.L.P., Toms River, 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 Borough of Oceanport 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, Machado Law Group, Clark, 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 July 15 in the years 2022 through 2043, 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 July 15 in the year 2045 and in the years 2047 through 2050, inclusive (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 Discount 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.**

## **BANK-QUALIFIED BONDS**

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B)(ii) of the Code.

## **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.

## **Recent Healthcare Developments**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, and to each state within the United States, including the State, has been declared a Public Health Emergency of International Concern by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The outbreak of COVID-19 across the United States has caused the federal government to declare a national state of emergency. The State has likewise declared a state of emergency. While the potential impact on the State cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the finances of the State, the County, the Constituent Municipalities and the Board (collectively, the "Affected Entities").

The degree of any such impact to the Affected Entities' respective operations and finances, is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of

the outbreak could have a material adverse effect on the Affected Entities and their respective economies.

### **Municipal Bankruptcy**

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

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

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

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

### **APPROVAL OF LEGAL PROCEEDINGS**

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

### **PREPARATION OF OFFICIAL STATEMENT**

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

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

The Municipal Advisor has participated in the review of this Official Statement but has not participated in the preparation of this Official Statement or in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

The Auditor has assisted in the preparation of the information contained in APPENDIX A hereto but does not take responsibility for the information included in APPENDIX A. 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 he verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

## **RATINGS**

Moody's Investors Service, Inc. (the "Moody's"), has assigned an underlying rating of "Aa3" to the Bonds based upon the creditworthiness of the School District. S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P", and together with Moody's, the "Rating Agencies"), has assigned the Bonds a "AA" (stable) rating subject to the issuance of the Policy by BAM. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

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

## **UNDERWRITING**

The Bonds are being purchased from the Board by Robert W. Baird & Co., Incorporated, Milwaukee, Wisconsin (the "Underwriter"), at a price of \$33,154,000.00. The purchase price of the Bonds reflects the par amount of Bonds equal to \$33,154,000.00, minus an Underwriter's discount of \$832,110.70, plus a net original issue premium of \$832,110.70. 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, 2020 (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 years ended June 30, 2015 and 2016; (ii) operating data for the fiscal years ended June 30, 2015 and 2016; and (iii) its adopted budgets for fiscal years ended June 30, 2016 and 2017. Additionally, the Board previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; (iii) adopted budgets, all as described above, and event notices in connection with certain program rating changes in 2015. Such notices of events and late filings have since been filed with EMMA. The Board appointed Phoenix Advisors, LLC in March of 2017 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 Business Administrator/Board Secretary, Valery Petrone, (732) 542-0683 ext. 2120, or to Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6459.

## **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 BOROUGH OF  
OCEANPORT IN THE COUNTY OF MONMOUTH, NEW  
JERSEY**

***/s/ Valery Petrone***  
\_\_\_\_\_  
**VALERY PETRONE,**  
**Business Administrator/Board Secretary**

**DATED: July 1, 2020**

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**APPENDIX A**

**Certain Economic and Demographic Information Relating to the  
School District and the Boroughs of Oceanport and Sea Bright,  
in the County of Monmouth, State of New Jersey**

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## **INFORMATION REGARDING THE SCHOOL DISTRICT<sup>1</sup>**

### **General**

The Board of Education of the Borough of Oceanport (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) is a consolidated, Type II school district that is comprised of the Boroughs of Oceanport and Sea Bright. The School District provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade eight (8), including regular and special education programs. The School District’s educational facilities consist of one (1) elementary school (Wolf Hill Elementary School) and one (1) middle school (Maple Place Middle School). For ninth through twelfth grades, public school students attend Shore Regional High School, a regional high school that also serves students from the municipalities of Monmouth Beach, Oceanport, Sea Bright and West Long Branch.

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 of Schools and Business Administrator/Board Secretary who are responsible for budgeting, planning and the operational functions of the School District. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board’s business functions. The Business Administrator/Board Secretary reports to the Superintendent of Schools. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent of Schools.

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<sup>1</sup> Source: The Board, unless otherwise indicated.

**Description of Facilities**

The Board presently operates the following school facilities:

| <b><u>Facility</u></b>      | <b><u>Grade Level</u></b> | <b><u>Student Enrollment (As of 6/30/19)</u></b> |
|-----------------------------|---------------------------|--|
| Wolf Hill Elementary School | PreK-4                    | 356  |
| Maple Place Middle School   | 5-8                       | 254  |

Source: Comprehensive Annual Financial Report of the School District

**Staff**

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

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2019, for each of the past five (5) years.

|                                  | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Teaching Professionals           | 87                 | 86                 | 80                 | 82                 | 84                 |
| Support Staff                    | 28                 | 27                 | 27                 | 23                 | 19                 |
| Total Full & Part Time Employees | 115                | 113                | 107                | 105                | 103                |

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.

| <b><u>Pupil Enrollments</u></b> |                          |
|---------------------------------|--------------------------|
| <b><u>School Year</u></b>       | <b><u>Enrollment</u></b> |
| 2018-2019                       | 610                      |
| 2017-2018                       | 580                      |
| 2016-2017                       | 610                      |
| 2015-2016                       | 610                      |
| 2014-2015                       | 614                      |

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 2020-21 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 2020-2021 fiscal year is \$12,048,004. The major sources of revenue are \$10,740,680 from the local tax levy and \$590,351 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:

| <b><u>Budget<br/>Year</u></b> | <b><u>Amount Raised<br/>in Taxes</u></b> | <b><u>Budget<br/>Amount</u></b> | <b><u>Election<br/>Result</u></b> |
|-------------------------------|--|---------------------------------|-----------------------------------|
| 2020-2021                     | \$10,740,680                             | \$12,048,004                    | N/A                               |
| 2019-2020                     | 10,358,093                               | 11,642,791                      | N/A                               |
| 2018-2019                     | 10,056,401                               | 11,374,218                      | N/A                               |
| 2017-2018                     | 9,778,391                                | 10,709,112                      | N/A                               |
| 2016-2017                     | 9,586,658                                | 10,349,012                      | N/A                               |

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

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## **Financial Operations**

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2015 through June 30, 2019 for the general fund. This summary should be used in conjunction with the tables in the sourced documents from which it is derived (see Appendix B). Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

|  | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>REVENUES</b>  |                    |                    |                    |                    |                    |
| Local Sources:   |                    |                    |                    |                    |                    |
| Local Tax Levy   | \$10,056,401       | \$9,778,391        | \$9,586,658        | \$8,946,992        | \$8,771,560        |
| Other Local Revenue  | <u>284,546</u>     | <u>350,155</u>     | <u>331,792</u>     | <u>392,950</u>     | <u>232,728</u>     |
| Total revenues-local sources                                 | 10,340,947         | 10,128,546         | 9,918,450          | 9,339,942          | 9,004,288          |
| State Sources  | 1,310,634          | 1,497,032          | 1,203,196          | 1,181,041          | 1,411,631          |
| Federal Sources  | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>442,836</u>     |
| Total Revenues   | \$11,651,581       | \$11,625,578       | \$11,121,646       | \$10,520,983       | \$10,858,755       |
| <b>EXPENDITURES</b>  |                    |                    |                    |                    |                    |
| General Fund:  |                    |                    |                    |                    |                    |
| Instruction  | \$4,848,468        | \$4,619,614        | \$4,534,945        | \$4,142,578        | \$3,531,496        |
| Undistributed Expenditures                                   | 7,158,700          | 6,447,568          | 6,169,630          | 5,955,469          | 5,886,422          |
| Capital Outlay   | <u>165,060</u>     | <u>122,554</u>     | <u>103,368</u>     | <u>223,392</u>     | <u>174,046</u>     |
| Total Expenditures   | \$12,172,228       | \$11,189,736       | \$10,807,943       | \$10,321,439       | \$9,591,964        |
| Excess (Deficiency) of Revenues<br>Over/(Under) Expenditures | (520,647)          | 435,842            | 313,703            | 199,544            | 1,266,791          |
| Other Financing Sources (Uses):                              |                    |                    |                    |                    |                    |
| Proceeds of Capital Lease                                    | 0                  | 0                  | 100,000            | 0                  | 0                  |
| Transfers in   | 0                  | 0                  | 0                  | 0                  | 0                  |
| Transfers out  | <u>0</u>           | <u>0</u>           | <u>(295,931)</u>   | <u>(1,228,319)</u> | <u>(393,447)</u>   |
| Total other financing sources (uses)                         | 0                  | 0                  | (195,931)          | (1,228,319)        | (393,447)          |
| Net Change in Fund Balance                                   | (520,647)          | 435,842            | 117,772            | (1,028,775)        | 873,344            |
| Fund Balance, July 1   | <u>1,904,221</u>   | <u>1,468,379</u>   | <u>1,350,607</u>   | <u>2,379,382</u>   | <u>1,506,038</u>   |
| Fund Balance, June 30  | <u>\$1,383,574</u> | <u>\$1,904,221</u> | <u>\$1,468,379</u> | <u>\$1,350,607</u> | <u>\$2,379,382</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, 2019, the Board has \$59,599 capital lease(s) outstanding with payments due through year ending June 30, 2021, totaling \$62,006.

Source: Comprehensive Annual Financial Report of the School District

## **Operating Leases**

As of June 30, 2019, the Board has no operating leases.

Source: Comprehensive Annual Financial Report of the School District

## **Short-Term Debt**

As of June 30, 2019, the Board has no short-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

## **Long-Term Debt**

The following table outlines the outstanding long-term debt of the Board as of June 30, 2019.

| <b><u>Fiscal Year Ending</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b>  | <b><u>Total</u></b>       |
|----------------------------------|-------------------------|-------------------------|---------------------------|
| 2020                             | \$130,000               | \$33,050                | \$163,050                 |
| 2021                             | 130,000                 | 29,150                  | 159,150                   |
| 2022                             | 135,000                 | 24,500                  | 159,500                   |
| 2023                             | 135,000                 | 19,100                  | 154,100                   |
| 2024                             | 135,000                 | 13,700                  | 148,700                   |
| 2025                             | 135,000                 | 8,300                   | 143,300                   |
| 2026                             | <u>140,000</u>          | <u>2,800</u>            | <u>142,800</u>            |
| <b>TOTALS</b>                    | <b><u>\$940,000</u></b> | <b><u>\$130,600</u></b> | <b><u>\$1,070,600</u></b> |

Source: Comprehensive Annual Financial Report of the School District



**Debt Limit of the Board**

The debt limitation of the Board is established by statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 3.00% of the average equalized valuation for the past three years (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to Debt Limitation” herein). The following is a summation of the Board’s debt limitation as of June 30, 2019:

|   |                 |
|---|-----------------|
| Average Equalized Real Property Valuation<br>(2017, 2018, and 2019) | \$2,080,630,211 |
| <b>School District Debt Analysis</b>                                |                 |
| Permitted Debt Limitation (3.00% of AEVP)                           | \$62,418,906    |
| Less: Bonds and Notes Authorized and Outstanding                    | <u>940,000</u>  |
| Remaining Limitation of Indebtedness                                | \$61,478,906    |
| Percentage of Net School Debt to Average Equalized Valuation        | 0.05%           |

Source: Comprehensive Annual Financial Report of the School District

**Litigation**

The status of pending litigation is included in the Notes to Financial Statements of the School District’s Comprehensive Annual Financial Report.

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## **INFORMATION REGARDING THE BOROUGH OF OCEANPORT<sup>1</sup>**

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

### **General**

The Borough comprises an area of 3.75 miles located at the head of the Shrewsbury River. The Borough is primarily a residential community. The Borough has many amenities including a yacht club, swim club, and in the Borough’s Blackberry Point recreation area of playing fields and tennis courts for residents. Additionally, the Borough is home to thoroughbred horse racing at Monmouth Park.

### **Municipal Government**

The Borough is governed under the Borough form of Government. There is a Mayor and Borough Council composed of six (6) members. The Mayor is elected to serve a four-year term and may succeed that term by reelection. The Mayor is empowered as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures deemed in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although the Mayor presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that the Mayor be a member of the Planning Board and the Board of Trustees of the municipal Public Library.

The six (6) members of the Borough Council are elected at-large, two (2) each year, for terms of three (3) years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Borough Council, acting in committees, oversees the various departments and functions of the Borough Government.

Administration of Borough affairs is the responsibility of a professional staff comprising a, Borough Clerk, Chief Financial Officer, Tax Collector and Tax Assessor.

### **Municipal Officials and Departments**

The Borough Clerk’s statutory duties includes serving as secretary to the governing body, secretary to the municipality and as the Borough’s election official.

The Department of Finance handles all financial matters of the Borough including payroll, accounts payable and receivable, and municipal debt service. The Chief Financial Officer supervises the department and is primarily responsible for the development of financial policy and the annual operating and capital budgets.

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<sup>1</sup> Source: The Borough, unless otherwise indicated.

The Office of the Tax Collector performs all duties related to billing and collecting municipal taxes.

A full-service Police Department provides 24-hour-a-day coverage including patrol, traffic enforcement and investigative services. The Department is the central reception and dispatch location for all Borough emergency needs, including fire, emergency medical and emergence management units.

The Fire Department is a volunteer department which serves the Borough.

Recreation activities in the Borough are under the direction of the Parks and Recreation Committee of the Borough Council.

Health services are provided by the Oceanport First Aid Squad, a volunteer operated entity.

**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:

|                       | <b><u>Total Labor<br/>Force</u></b> | <b><u>Employed<br/>Labor Force</u></b> | <b><u>Total<br/>Unemployed</u></b> | <b><u>Unemployment<br/>Rate</u></b> |
|-----------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <b><u>Borough</u></b> |                                     |  |                                    |                                     |
| 2019                  | 2,941                               | 2,852                                  | 89                                 | 3.0%                                |
| 2018                  | 2,915                               | 2,796                                  | 119                                | 4.1%                                |
| 2017                  | 2,882                               | 2,764                                  | 118                                | 4.1%                                |
| 2016                  | 2,896                               | 2,757                                  | 139                                | 4.8%                                |
| 2015                  | 2,886                               | 2,726                                  | 160                                | 5.5%                                |
| <b><u>County</u></b>  |                                     |  |                                    |                                     |
| 2019                  | 328,661                             | 318,233                                | 10,428                             | 3.2%                                |
| 2018                  | 323,777                             | 312,005                                | 11,772                             | 3.6%                                |
| 2017                  | 324,012                             | 310,646                                | 13,366                             | 4.1%                                |
| 2016                  | 325,773                             | 311,239                                | 14,534                             | 4.5%                                |
| 2015                  | 325,388                             | 308,514                                | 16,874                             | 5.2%                                |
| <b><u>State</u></b>   |                                     |  |                                    |                                     |
| 2019                  | 4,493,127                           | 4,333,334                              | 159,793                            | 3.6%                                |
| 2018                  | 4,432,520                           | 4,250,795                              | 181,725                            | 4.1%                                |
| 2017                  | 4,454,681                           | 4,248,741                              | 205,940                            | 4.6%                                |
| 2016                  | 4,473,780                           | 4,251,209                              | 222,571                            | 5.0%                                |
| 2015                  | 4,487,309                           | 4,227,640                              | 259,669                            | 5.8%                                |

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

**Income (as of 2018)**

|                         | <u>Borough</u> | <u>County</u> | <u>State</u> |
|-------------------------|----------------|---------------|--------------|
| Median Household Income | \$104,688      | \$95,699      | \$79,363     |
| Median Family Income    | 125,243        | 119,624       | 98,047       |
| Per Capita Income       | 44,557         | 48,959        | 40,895       |

Source: US Bureau of the Census, 2018 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> |
| 2019 Estimate | 5,722             | -1.9%           | 618,795           | -1.8%           | 8,882,190         | 1.0%            |
| 2010          | 5,832             | 0.4             | 630,380           | 2.5             | 8,791,894         | 4.5             |
| 2000          | 5,807             | -5.5            | 615,301           | 11.2            | 8,414,350         | 8.9             |
| 1990          | 6,146             | 4.4             | 553,124           | 9.9             | 7,730,188         | 5.0             |
| 1980          | 5,888             | -21.5           | 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>2019<br/>Assessed Valuation</u> | <u>% of Total<br/>Assessed Valuation</u> |
|--|------------------------------------|--|
| New Jersey Sports & Exposition Authority | \$109,907,700                      | 8.24%                                    |
| Oceanport Village Center LLC             | 66,668,000                         | 5.00%                                    |
| Residences at Fort Monmouth LLC          | 30,571,700                         | 2.29%                                    |
| MPCC II LLC                              | 13,500,000                         | 1.01%                                    |
| Acutecare Management Services, LLC       | 7,991,800                          | 0.60%                                    |
| Individual Taxpayer #1                   | 3,549,900                          | 0.27%                                    |
| Individual Taxpayer #2                   | 3,483,100                          | 0.26%                                    |
| Individual Taxpayer #3                   | 3,377,900                          | 0.25%                                    |
| Individual Taxpayer #4                   | 3,310,300                          | 0.25%                                    |
| Individual Taxpayer #5                   | <u>3,149,100</u>                   | <u>0.24%</u>                             |
| <b>Total</b>                             | <b><u>\$245,509,500</u></b>        | <b><u>18.41%</u></b>                     |

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

**Comparison of Tax Levies and Collections**

| <u>Year</u> | <u>Tax Levy</u> | <u>Current Year<br/>Collection</u> | <u>Current Year<br/>% of Collection</u> |
|-------------|-----------------|------------------------------------|---|
| 2019U       | \$24,192,505    | \$23,934,459                       | 98.93%                                  |
| 2018        | 23,246,762      | 22,931,577                         | 98.64%                                  |
| 2017        | 22,580,860      | 22,348,147                         | 98.97%                                  |
| 2016        | 22,527,308      | 22,275,398                         | 98.88%                                  |
| 2015        | 21,419,681      | 21,163,163                         | 98.80%                                  |

U = Unaudited  
Source: Annual Audit Reports of the Borough

**Delinquent Taxes and Tax Title Liens**

| <u>Year</u> | <u>Amount of Tax<br/>Title Liens</u> | <u>Amount of<br/>Delinquent Tax</u> | <u>Total<br/>Delinquent</u> | <u>% of<br/>Tax Levy</u> |
|-------------|--------------------------------------|-------------------------------------|-----------------------------|--------------------------|
| 2019U       | \$64,686                             | \$229,417                           | \$294,102                   | 1.22%                    |
| 2018        | 59,078                               | 309,285                             | 368,362                     | 1.58%                    |
| 2017        | 53,506                               | 208,401                             | 261,907                     | 1.16%                    |
| 2016        | 48,396                               | 246,787                             | 295,183                     | 1.31%                    |
| 2015        | 43,272                               | 249,882                             | 293,154                     | 1.37%                    |

U = Unaudited  
Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2019U       | \$3,300       |
| 2018        | 3,300         |
| 2017        | 3,300         |
| 2016        | 3,300         |
| 2015        | 3,300         |

U = Unaudited  
Source: Annual Audit Reports of the Borough

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

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

| <u>Year</u> | <u>Municipal</u> | <u>Municipal Open Space</u> | <u>Regional School</u> | <u>Local School</u> | <u>County</u> | <u>Total</u> |
|-------------|------------------|-----------------------------|------------------------|---------------------|---------------|--------------|
| 2019        | \$0.477          | \$0.020                     | \$0.740                | \$0.289             | \$0.275       | \$1.801      |
| 2018        | 0.467            | 0.020                       | 0.743                  | 0.271               | 0.288         | 1.789        |
| 2017        | 0.564            | 0.020                       | 0.892                  | 0.344               | 0.337         | 2.157        |
| 2016        | 0.539            | 0.020                       | 0.852                  | 0.395               | 0.337         | 2.143        |
| 2015        | 0.529            | 0.020                       | 0.806                  | 0.372               | 0.347         | 2.074        |

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> |
|-------------|--|--|--|--|----------------------------|
| 2019        | \$1,332,689,300                                      | \$1,349,558,785                              | 98.75%                                 | \$657,720                                  | \$1,350,216,505            |
| 2018        | 1,296,265,900  | 1,255,706,578                                | 103.23                                 | 650,759                                    | 1,256,357,337              |
| 2017        | 1,045,195,000  | 1,233,413,972                                | 84.74                                  | 572,130                                    | 1,233,986,102              |
| 2016        | 1,040,515,900  | 1,190,113,119                                | 87.43                                  | 580,519                                    | 1,190,693,638              |
| 2015        | 1,029,123,700  | 1,152,305,117                                | 89.31                                  | 571,606                                    | 1,152,876,723              |

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>    |
|-------------|--------------------|--------------------|-------------|-------------------|-------------------|-------------------|-----------------|
| 2019        | \$16,764,700       | \$1,160,486,000    | \$566,500   | \$152,775,700     | \$0               | \$2,096,400       | \$1,332,689,300 |
| 2018        | 17,438,300         | 1,123,186,400      | 565,000     | 151,131,000       | 0                 | 3,945,200         | 1,296,265,900   |
| 2017        | 16,038,900         | 903,770,000        | 438,800     | 116,736,400       | 0                 | 0                 | 1,036,984,100   |
| 2016        | 15,864,600         | 904,724,600        | 438,800     | 118,439,100       | 0                 | 0                 | 1,039,467,100   |
| 2015        | 17,543,200         | 887,186,500        | 438,400     | 122,748,400       | 0                 | 0                 | 1,027,916,500   |

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**

| <b><u>Anticipated Revenues</u></b>          | <b><u>2016</u></b> | <b><u>2017</u></b> | <b><u>2018</u></b> | <b><u>2019</u></b> | <b><u>2020</u></b>  |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| Fund Balance Utilized                       | \$746,000          | \$806,000          | \$871,000          | \$1,000,000        | \$1,035,000         |
| Miscellaneous Revenues                      | 1,351,919          | 1,882,595          | 1,561,315          | 1,169,362          | 2,328,066           |
| Receipts from Delinquent Taxes              | 246,813            | 250,000            | 217,000            | 208,000            | 247,105             |
| Amount to be Raised by Taxation             | <u>5,608,707</u>   | <u>5,849,668</u>   | <u>6,058,673</u>   | <u>6,354,005</u>   | <u>6,637,319</u>    |
| Total Revenue:                              | <u>\$7,953,439</u> | <u>\$8,788,262</u> | <u>\$8,707,988</u> | <u>\$8,731,366</u> | <u>\$10,247,490</u> |
| <b><u>Appropriations</u></b>                |                    |                    |                    |                    |                     |
| General Appropriations                      | \$5,795,767        | \$5,653,917        | \$2,892,236        | \$6,724,395        | \$7,083,705         |
| Operations (Excluded from CAPS)             | 475,000            | 626,400            | 3,566,019          | 256,054            | 310,875             |
| Deferred Charges and Statutory Expenditures | 85,789             | 938,125            | 657,167            | 44,000             | 44,000              |
| Capital Improvement Fund                    | 75,000             | 125,000            | 125,000            | 75,000             | 110,000             |
| Municipal Debt Service                      | 1,091,883          | 1,014,820          | 1,037,566          | 1,196,917          | 2,263,909           |
| Reserve for Uncollected Taxes               | <u>430,000</u>     | <u>430,000</u>     | <u>430,000</u>     | <u>435,000</u>     | <u>435,000</u>      |
| Total Appropriations:                       | <u>\$7,953,439</u> | <u>\$8,788,262</u> | <u>\$8,707,988</u> | <u>\$8,731,366</u> | <u>\$10,247,490</u> |

Source: Annual Adopted Budgets of the Borough

**Fund Balance**

**Current Fund**

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

**Fund Balance - Current Fund**

| <b><u>Year</u></b> | <b><u>Balance<br/>12/31</u></b> | <b><u>Utilized in Budget<br/>of Succeeding Year</u></b> |
|--------------------|---------------------------------|---|
| 2019U              | \$4,327,139                     | \$1,035,000   |
| 2018               | 3,739,218                       | 1,000,000   |
| 2017               | 3,351,461                       | 871,000   |
| 2016               | 1,912,037                       | 806,000   |
| 2015               | 1,245,842                       | 746,000   |

U = Unaudited  
Source: Annual Audit Reports of the Borough

**Borough Indebtedness as of December 31, 2019**

**General Purpose Debt**

|   |                     |
|---|---------------------|
| Serial Bonds                              | \$4,440,000         |
| Bond Anticipation Notes                   | 8,722,569           |
| Bonds and Notes Authorized but Not Issued | 10,350,221          |
| Other Bonds, Notes and Loans              | 12,886,829          |
| Total:                                    | <u>\$36,399,619</u> |

**Local School District Debt**

|   |                     |
|---|---------------------|
| Serial Bonds                              | \$810,000           |
| Temporary Notes Issued                    | 0                   |
| Bonds and Notes Authorized but Not Issued | 33,154,890          |
| Total:                                    | <u>\$33,964,890</u> |

**Regional School District Debt**

|   |                    |
|---|--------------------|
| Serial Bonds                              | \$1,967,601        |
| Temporary Notes Issued                    | 0                  |
| Bonds and Notes Authorized but Not Issued | 0                  |
| Total:                                    | <u>\$1,967,601</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**

**\$72,332,110**

Less: Statutory Deductions

|                               |              |
|-------------------------------|--------------|
| General Purpose Debt          | \$17,979,673 |
| Local School District Debt    | 33,964,890   |
| Regional School District Debt | 1,967,601    |
| Self-Liquidating Debt         | 0            |

Total: \$53,912,164

**TOTAL NET DEBT**

**\$18,419,946**

Source: Annual Debt Statement of the Borough



**Overlapping Debt (as of December 31, 2019)<sup>2</sup>**

| <b><u>Name of Related Entity</u></b> | <b><u>Related Entity<br/>Debt Outstanding</u></b> | <b><u>Borough<br/>Percentage</u></b> | <b><u>Borough<br/>Share</u></b> |
|--------------------------------------|---|--------------------------------------|---------------------------------|
| Local School District                | \$33,964,890                                      | 100.00%                              | \$33,964,890                    |
| Regional School District             | 7,720,000   | 25.49%                               | 1,967,601                       |
| County                               | 1,251,065,000                                     | 1.03%                                | <u>12,891,126</u>               |
| Net Indirect Debt                    |   |                                      | \$48,823,617                    |
| Net Direct Debt                      |   |                                      | <u>18,419,946</u>               |
| Total Net Direct and Indirect Debt   |   |                                      | <b><u>\$67,243,563</u></b>      |

**Debt Limit**

|   |                     |
|---|---------------------|
| Average Equalized Valuation Basis (2017, 2018, 2019)    | \$1,279,559,778     |
| Permitted Debt Limitation (3 1/2%)                      | 44,784,592          |
| Less: Net Debt  | <u>18,419,946</u>   |
| Remaining Borrowing Power                               | <u>\$26,364,646</u> |
| Percentage of Net Debt to Average Equalized Valuation   | 1.440%              |
| Gross Debt Per Capita based on 2010 population of 5,832 | \$12,402            |
| Net Debt Per Capita based on 2010 population of 5,832   | \$3,158             |

Source: Annual Debt Statement of the Borough

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

## **INFORMATION REGARDING THE BOROUGH OF SEA BRIGHT<sup>1</sup>**

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

### **General**

The Borough is located in the northeast part of the County and was formally incorporated on April 27, 1896. It is bounded on the east by the Atlantic Ocean and on the west by the Navesink and Shrewsbury Rivers. The Borough has a land area of approximately six-tenths (0.6) of a square mile and is bordered on the south by the Borough of Monmouth Beach and on the north by the Gateway National Park. New York City is twenty-two miles to the north of the Borough.

While in its early days the Borough was a barrier beach with tall grass-topped sand dunes, it soon became a fishing village, and then a summer resort which in the late 1800’s was a popular stop for the sidewheeler steamboats from New York. The Shrewsbury River inlet provides access from Sandy Hook Bay to boating and other inland waterway activities on the Shrewsbury and Navesink Rivers. Oceanfront and beach activities are present, resulting in such commercial activities as hotels, restaurants, beach clubs and other recreational related business.

### **Municipal Government**

The Borough is governed by a mayor and six (6) council members who are elected at large. Elections are held annually with two (2) council members elected each year for a term of three (3) years. The mayor, who is elected for a four-year term, is the chief executive officer. The Borough Council is the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the conduct of the Borough’s business.

### **Employment and Transportation**

Many of the Borough’s citizens are employed in northern New Jersey and New York City and commute daily from the Little Silver and Red Bank Railroad Stations by means of New Jersey Transit. Bus service is available to provide additional transportation to the metropolitan areas of New York. Ferry service to New York is also available from marinas in Atlantic Highlands and Highlands. The Garden State Parkway and New Jersey Turnpike together provide direct access to northern and southern New Jersey, New York City, Philadelphia, Baltimore, Boston and Washington.

### **Services**

The Borough provides police protection on a 24-hour, 7-day a week basis through its police department. Fire protection and first aid are provided through a volunteer fire company and a first aid squad. Firefighting equipment is modern and is owned by the Borough. A volunteer first aid squad with ambulances and other modern equipment provides emergency treatment and

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<sup>1</sup> Source: The Borough, unless otherwise indicated.

transportation when required for accident or illness. The Borough's streets are paved and are maintained by the Borough's Public Works Department. State roads running through the Borough are maintained by the State Department of Transportation.

**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:

|                       | <b><u>Total Labor<br/>Force</u></b> | <b><u>Employed<br/>Labor Force</u></b> | <b><u>Total<br/>Unemployed</u></b> | <b><u>Unemployment<br/>Rate</u></b> |
|-----------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <b><u>Borough</u></b> |                                     |  |                                    |                                     |
| 2019                  | 870                                 | 844                                    | 26                                 | 3.0%                                |
| 2018                  | 856                                 | 828                                    | 28                                 | 3.3%                                |
| 2017                  | 865                                 | 833                                    | 32                                 | 3.7%                                |
| 2016                  | 868                                 | 833                                    | 35                                 | 4.0%                                |
| 2015                  | 836                                 | 797                                    | 39                                 | 4.7%                                |
| <b><u>County</u></b>  |                                     |  |                                    |                                     |
| 2019                  | 328,661                             | 318,233                                | 10,428                             | 3.2%                                |
| 2018                  | 323,777                             | 312,005                                | 11,772                             | 3.6%                                |
| 2017                  | 324,012                             | 310,646                                | 13,366                             | 4.1%                                |
| 2016                  | 325,773                             | 311,239                                | 14,534                             | 4.5%                                |
| 2015                  | 325,388                             | 308,514                                | 16,874                             | 5.2%                                |
| <b><u>State</u></b>   |                                     |  |                                    |                                     |
| 2019                  | 4,493,127                           | 4,333,334                              | 159,793                            | 3.6%                                |
| 2018                  | 4,432,520                           | 4,250,795                              | 181,725                            | 4.1%                                |
| 2017                  | 4,454,681                           | 4,248,741                              | 205,940                            | 4.6%                                |
| 2016                  | 4,473,780                           | 4,251,209                              | 222,571                            | 5.0%                                |
| 2015                  | 4,487,309                           | 4,227,640                              | 259,669                            | 5.8%                                |

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

**Income (as of 2018)**

|                         | <b><u>Borough</u></b> | <b><u>County</u></b> | <b><u>State</u></b> |
|-------------------------|-----------------------|----------------------|---------------------|
| Median Household Income | \$90,000              | \$95,699             | \$79,363            |
| Median Family Income    | 134,167               | 119,624              | 98,047              |
| Per Capita Income       | 82,653                | 48,959               | 40,895              |

Source: US Bureau of the Census, 2018 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> |
| 2019 Estimate | 1,338             | -5.2%           | 618,795           | -1.8%           | 8,882,190         | 1.0%            |
| 2010          | 1,412             | -22.3           | 630,380           | 2.5             | 8,791,894         | 4.5             |
| 2000          | 1,818             | 7.4             | 615,301           | 11.2            | 8,414,350         | 8.9             |
| 1990          | 1,693             | -6.6            | 553,124           | 9.9             | 7,730,188         | 5.0             |
| 1980          | 1,812             | 35.3            | 503,173           | 8.9             | 7,365,001         | 2.7             |
| 1970          | 1,339             | 17.7            | 461,849           | 38.1            | 7,168,164         | 18.2            |

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>2019<br/>Assessed Valuation</u> | <u>% of Total<br/>Assessed Valuation</u> |
|----------------------------------|------------------------------------|--|
| Ocean Ave Realty                 | \$15,204,900                       | 1.96%                                    |
| Edgewater Beach Inc.             | 10,730,800                         | 1.38%                                    |
| Surfrider Beach Club LLC         | 9,303,000                          | 1.20%                                    |
| Beach Club Holdings LLC          | 9,284,700                          | 1.19%                                    |
| Rozinante, Inc                   | 8,408,300                          | 1.08%                                    |
| Seabright Beach Club             | 8,374,900                          | 1.08%                                    |
| Navesink Partners LLC            | 7,164,300                          | 0.92%                                    |
| SBBP Inc                         | 6,327,600                          | 0.81%                                    |
| Sea Bright Hospitality Group LLC | 3,411,600                          | 0.44%                                    |
| Individual Taxpayer #1           | <u>3,789,500</u>                   | <u>0.49%</u>                             |
| <b>Total</b>                     | <b><u>\$81,999,600</u></b>         | <b><u>10.54%</u></b>                     |

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

**Comparison of Tax Levies and Collections**

| <u>Year</u> | <u>Tax Levy</u> | <u>Current Year<br/>Collection</u> | <u>Current Year<br/>% of Collection</u> |
|-------------|-----------------|------------------------------------|---|
| 2019U       | \$10,649,846    | \$10,467,682                       | 98.29%                                  |
| 2018        | 10,670,449      | 10,494,013                         | 98.35%                                  |
| 2017        | 10,324,683      | 10,143,604                         | 98.25%                                  |
| 2016        | 8,985,795       | 8,760,350                          | 97.49%                                  |
| 2015        | 8,841,471       | 8,636,615                          | 97.68%                                  |

U = Unaudited  
Source: Annual Audit Reports of the Borough

**Delinquent Taxes and Tax Title Liens**

| <u>Year</u> | <u>Amount of Tax<br/>Title Liens</u> | <u>Amount of<br/>Delinquent Tax</u> | <u>Total<br/>Delinquent</u> | <u>% of<br/>Tax Levy</u> |
|-------------|--------------------------------------|-------------------------------------|-----------------------------|--------------------------|
| 2019U       | \$11,363                             | \$181,663                           | \$193,026                   | 1.81%                    |
| 2018        | 10,863                               | 175,907                             | 186,770                     | 1.75%                    |
| 2017        | 10,334                               | 180,542                             | 190,876                     | 1.85%                    |
| 2016        | 10,641                               | 224,908                             | 235,549                     | 2.62%                    |
| 2015        | 10,104                               | 203,839                             | 213,943                     | 2.42%                    |

U = Unaudited  
Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2019U       | \$0           |
| 2018        | 0             |
| 2017        | 0             |
| 2016        | 0             |
| 2015        | 0             |

U = Unaudited  
Source: Annual Audit Reports of the Borough

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

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

| <u>Year</u> | <u>Municipal</u> | <u>Regional School</u> | <u>Local School</u> | <u>County</u> | <u>Total</u> |
|-------------|------------------|------------------------|---------------------|---------------|--------------|
| 2019        | \$0.578          | \$0.077                | \$0.405             | \$0.297       | \$1.357      |
| 2018        | 0.593            | 0.070                  | 0.484               | 0.289         | 1.436        |
| 2017        | 0.607            | 0.092                  | 0.477               | 0.283         | 1.459        |
| 2016        | 0.596            | 0.124                  | 0.311               | 0.274         | 1.305        |
| 2015        | 0.892            | 0.177                  | 0.492               | 0.445         | 2.006        |

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> |
|-------------|--|--|--|--|----------------------------|
| 2019        | \$777,222,400  | \$887,746,887                                | 87.55%                                 | \$505,364                                  | \$888,252,251              |
| 2018        | 737,640,000  | 805,723,648                                  | 91.55                                  | 476,674                                    | 806,200,322                |
| 2017        | 699,236,600  | 709,740,763                                  | 98.52                                  | 481,983                                    | 710,222,746                |
| 2016        | 684,405,100  | 674,490,096                                  | 101.47                                 | 478,436                                    | 674,968,532                |
| 2015        | 438,505,200  | 627,242,455                                  | 69.91                                  | 328,256                                    | 627,570,711                |

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>  |
|-------------|--------------------|--------------------|-------------|-------------------|-------------------|-------------------|---------------|
| 2019        | \$19,430,200       | \$547,229,900      | \$0         | \$127,166,000     | \$0               | \$4,867,500       | \$698,693,600 |
| 2018        | 16,444,400         | 576,309,600        | 0           | 139,951,500       | 0                 | 4,934,500         | 737,640,000   |
| 2017        | 19,430,200         | 547,229,900        | 0           | 127,166,000       | 0                 | 4,867,500         | 698,693,600   |
| 2016        | 10,201,600         | 537,596,000        | 0           | 130,535,000       | 0                 | 4,823,500         | 683,156,100   |
| 2015        | 9,708,400          | 357,162,100        | 0           | 67,636,300        | 0                 | 2,865,000         | 437,371,800   |

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**

| <b><u>Anticipated Revenues</u></b>          | <b><u>2016</u></b> | <b><u>2017</u></b> | <b><u>2018</u></b> | <b><u>2019</u></b> | <b><u>2020</u></b> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fund Balance Utilized                       | \$598,761          | \$554,173          | \$679,738          | \$661,694          | \$596,715          |
| Miscellaneous Revenues                      | 1,238,602          | 1,011,652          | 777,296            | 786,623            | 772,483            |
| Receipts from Delinquent Taxes              | 202,283            | 224,346            | 182,816            | 176,629            | 181,792            |
| Amount to be Raised by Taxation             | <u>4,072,171</u>   | <u>4,247,268</u>   | <u>4,375,000</u>   | <u>4,495,000</u>   | <u>4,660,000</u>   |
| Total Revenue:                              | <u>\$6,111,817</u> | <u>\$6,037,439</u> | <u>\$6,014,851</u> | <u>\$6,119,946</u> | <u>\$6,210,990</u> |
| <b><u>Appropriations</u></b>                |                    |                    |                    |                    |                    |
| General Appropriations                      | \$4,715,730        | \$4,650,134        | \$4,750,982        | \$4,775,612        | \$5,081,531        |
| Operations (Excluded from CAPS)             | 268,165            | 258,910            | 251,556            | 276,096            | 258,778            |
| Deferred Charges and Statutory Expenditures | 50,000             | 50,000             | 50,000             | 0                  | 0                  |
| Judgments                                   | 0                  | 0                  | 0                  | 0                  | 0                  |
| Capital Improvement Fund                    | 50,000             | 50,000             | 50,000             | 50,000             | 75,000             |
| Municipal Debt Service                      | 655,922            | 648,395            | 532,313            | 628,238            | 405,682            |
| Reserve for Uncollected Taxes               | <u>372,000</u>     | <u>380,000</u>     | <u>380,000</u>     | <u>390,000</u>     | <u>390,000</u>     |
| Total Appropriations:                       | <u>\$6,111,817</u> | <u>\$6,037,439</u> | <u>\$6,014,851</u> | <u>\$6,119,946</u> | <u>\$6,210,990</u> |

Source: Annual Adopted Budgets of the Borough

**Fund Balance**

**Current Fund**

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

**Fund Balance - Current Fund**

| <b><u>Year</u></b> | <b><u>Balance<br/>12/31</u></b> | <b><u>Utilized in Budget<br/>of Succeeding Year</u></b> |
|--------------------|---------------------------------|---|
| 2019U              | \$1,573,944                     | \$596,715   |
| 2018               | 1,567,143                       | 661,694   |
| 2017               | 2,200,099                       | 679,738   |
| 2016               | 1,024,470                       | 554,173   |
| 2015               | 1,605,744                       | 598,761   |

U = Unaudited

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 Current Fund for the past five (5) fiscal years ending December 31.

| <b>Fund Balance</b>                        |                     |                                  |
|--|---------------------|----------------------------------|
| <b><u>Sewer Utility Operating Fund</u></b> |                     |                                  |
|  | <b>Balance</b>      | <b>Utilized in Budget</b>        |
| <b><u>Year</u></b>                         | <b><u>12/31</u></b> | <b><u>of Succeeding Year</u></b> |
| 2019U                                      | \$282,485           | \$140,000                        |
| 2018                                       | 418,383             | 194,450                          |
| 2017                                       | 447,037             | 170,413                          |
| 2016                                       | 362,768             | 90,850                           |
| 2015                                       | 395,391             | 85,000                           |

U = Unaudited  
Source: Annual Audit Reports of the Borough

Beach Utility 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.

| <b>Fund Balance</b>                        |                     |                                  |
|--|---------------------|----------------------------------|
| <b><u>Beach Utility Operating Fund</u></b> |                     |                                  |
|  | <b>Balance</b>      | <b>Utilized in Budget</b>        |
| <b><u>Year</u></b>                         | <b><u>12/31</u></b> | <b><u>of Succeeding Year</u></b> |
| 2019U                                      | \$898,303           | \$272,738                        |
| 2018                                       | 800,277             | 250,500                          |
| 2017                                       | 1,004,527           | 337,300                          |
| 2016                                       | 992,228             | 80,000                           |
| 2015                                       | 1,011,702           | 75,000                           |

U = Unaudited  
Source: Annual Audit Reports of the Borough



**Borough Indebtedness as of December 31, 2019**

**General Purpose Debt**

|   |                    |
|---|--------------------|
| Serial Bonds                              | \$1,825,000        |
| Bond Anticipation Notes                   | 3,341,279          |
| Bonds and Notes Authorized but Not Issued | 4,436,562          |
| Other Bonds, Notes and Loans              | 0                  |
| Total:                                    | <u>\$9,602,841</u> |

**Local School District Debt**

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

**Regional School District Debt**

|   |                    |
|---|--------------------|
| Serial Bonds                              | \$1,231,820        |
| Temporary Notes Issued                    | 0                  |
| Bonds and Notes Authorized but Not Issued | 0                  |
| Total:                                    | <u>\$1,231,820</u> |

**Self-Liquidating Debt**

|   |                    |
|---|--------------------|
| Serial Bonds                              | \$0                |
| Bond Anticipation Notes                   | 3,055,161          |
| Bonds and Notes Authorized but Not Issued | 691,250            |
| Other Bonds, Notes and Loans              | 0                  |
| Total:                                    | <u>\$3,746,411</u> |

**TOTAL GROSS DEBT**

**\$14,581,072**

|                               |                    |
|-------------------------------|--------------------|
| Less: Statutory Deductions    |                    |
| General Purpose Debt          | \$338,059          |
| Local School District Debt    | 0                  |
| Regional School District Debt | 1,231,820          |
| Self-Liquidating Debt         | 3,746,411          |
| Total:                        | <u>\$5,316,290</u> |

**TOTAL NET DEBT**

**\$9,264,782**

Source: Annual Debt Statement of the Borough

**Overlapping Debt (as of December 31, 2019)<sup>2</sup>**

| <b><u>Name of Related Entity</u></b> | <b><u>Related Entity<br/>Debt Outstanding</u></b> | <b><u>Borough<br/>Percentage</u></b> | <b><u>Borough<br/>Share</u></b> |
|--------------------------------------|---|--------------------------------------|---------------------------------|
| Local School District                | \$0   | 100.00%                              | \$0                             |
| Regional School District             | 7,720,000   | 15.96%                               | 1,231,820                       |
| County                               | 1,251,065,000                                     | 0.68%                                | <u>8,480,545</u>                |
| Net Indirect Debt                    |   |                                      | \$9,712,364                     |
| Net Direct Debt                      |   |                                      | <u>9,264,782</u>                |
| Total Net Direct and Indirect Debt   |   |                                      | <b><u>\$18,977,146</u></b>      |

**Debt Limit**

|   |                     |
|---|---------------------|
| Average Equalized Valuation Basis (2017, 2018, 2019)    | \$801,070,433       |
| Permitted Debt Limitation (3 1/2%)                      | 28,037,465          |
| Less: Net Debt  | <u>9,264,782</u>    |
| Remaining Borrowing Power                               | <u>\$18,772,683</u> |
| Percentage of Net Debt to Average Equalized Valuation   | 1.157%              |
| Gross Debt Per Capita based on 2010 population of 1,412 | \$9,733             |
| Net Debt Per Capita based on 2010 population of 1,412   | \$6,561             |

Source: Annual Debt Statement of the Borough

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

**APPENDIX B**

**Financial Statements of The Board of Education of the  
Borough of Oceanport  
in the County of Monmouth, New Jersey**

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SCHOOL DISTRICT

Oceanport School District  
OF Monmouth County

Oceanport, New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

Of the

Oceanport Board of Education  
of Monmouth County

Oceanport, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

Oceanport Board of Education  
Finance Department

# OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## INTRODUCTORY SECTION

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OCEANPORT PUBLIC SCHOOLS  
29 Wolf Hill Avenue  
Oceanport, NJ 07757

Anne R. Facendo, Superintendent  
732-542-0683 X2110

Valery Petrone, SBA  
732-542-0683 X4444

November 19, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Oceanport School District (District) for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosure, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections as follows:

The Introductory Section includes the Letter of Transmittal, the District's Organizational Chart, and a list of Principal Officials.

The Financial Section includes the General Purpose Financial Statements and Schedules, the Independent Auditor's and Management Discussion and Analysis.

The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The Single Audit Section: Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oceanport Board of Education's basic financial statements. The introductory section, combining fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic

financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

#### **REPORTING ENTITY AND ITS SERVICES:**

The Oceanport School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Oceanport Board of Education and its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-School through Eighth Grade. These services include regular as well as special education programs. The District completed the 2018-2019 fiscal year with an enrollment of 610 students.

#### **ECONOMIC CONDITION AND OUTLOOK:**

As a result of the District's efforts over the past several years, the financial status of the Oceanport School District remains stable and several accomplishments have occurred as a result. Funds have been set aside in Maintenance Reserve for unforeseen circumstances.

The Oceanport Public School District has spent considerable time over this past year evaluating the conditions of the facilities, and researching possible solutions to support curricular initiatives. As of June 30, 2019 the District was pursuing a referendum vote to be held during the coming school year, to support 21<sup>st</sup> Century classroom learning and improve both building environments.

#### **MAJOR INITIATIVES:**

Throughout the 2018-2019 school year, the District continued to refine, expand and re-evaluate programs to provide opportunities for both students and staff. We are pleased that several initiatives were supported through local funding. More specifically, instructional materials and resources, curricula writing stipends, and professional development services encompassed the relative purchases.

At the preschool level, the My Math and Voices programs were implemented, which included consumables and online accounts. Additionally, a grade K-8 textbook series for health was introduced in both hard copy and online format. With respect to grades 5-8, two English language arts textbook series were incorporated into daily reading and writing instruction. Equally as essential, SAGES, is administered for gifted and talented course placement, and dyslexia screening materials.

In conjunction with the purchase of instruction materials and resources, curricula writing was completed for these courses: grades K-8 health, grades K-8 gifted and talented, grades K-8 technology, grades K-4 library/media, and grades 5-8 English language arts. Curricula writing included alignment to content standards and additional New Jersey Department of Education requirement (e.g., differentiation).

Our professional development emphasis was placed on instructional coaching days and out-of-district presenters for sessions regarding differentiation, instructional technologies, and the Danielson staff evaluation model. Differentiation and instructional technologies were among two of our district goals. Also noteworthy was the district's participation in two professional development consortia, Brookdale Education Networks and the Regional Professional Development Academy.

**Special Services:** Department members attended several professional development sessions related to special education and 504 compliance. The Child Study Team provided presentations for our district parent group around the evaluation process and offered several professional development opportunities for teaching staff and paraprofessionals related to mental health, significant behaviors, and IEP writing. Stakeholders from across the district also participated in a pilot program through Nextmark Schools, which focused on building knowledge and strategies for students with significant mental health needs.

**Wolf Hill School:** Students and staff demonstrated success in meeting their academic goals through a whole school model of problem-solving to meet the needs of each individual student. This model incorporates the efficient provision of prevention, intervention, and support services with targeted goals for student success. Wilson Foundations program continues to be used for grade 2 students. This program has helped students become more fluent readers and writers. Wolf Hill students also benefited from the use of RAZ-Kids and Learning A-Z in grades PK through 1 for added reaching practice in school and at home. Building-based subscriptions to Brainpop and Enchanted Learning enhanced lessons for student engagement and differentiated instruction. Teachers of grades 3 and 4 collaborated to utilize Google Classroom as the main forum for student assignments and task completion which permits students to work collaboratively with their peers and communicate with their teacher for more immediate feedback.

**Maple Place School:** Students continued to explore the curriculum with additional focus on diagnostic measures of student progress and instructional effectiveness. This included the continued use of Google Classroom, as well as the implementation of i-Ready in grades 5-8 in the areas of ELA and math. With the use of i-Ready, a consistent benchmark process and plan has been implemented. By years end, staff will have been involved in 3 separate professional development experiences to understand how to maximize the program and use the data in classroom instruction. This process dovetails effectively with our continued implementation and development of our New Jersey Tiered System of Support. To this end, key staff are engaged in training around the NJTSS. Our Intervention and Referral Services team has also worked to refine and revamp our processes after their collective professional development experience in this area.

In support of our learners social and emotional growth we have implemented Suite 360. Learners are engaged in high value activities and lessons that allow them to consider their role in the world. Over the course of the year, the school had numerous educational assembly programs aimed at teaching tolerance and understanding. We have also focused our energies on giving the students the tools needed to make wise decisions related to vaping and their use of social media. Our tradition of providing excellent extracurricular activities and clubs allowed us to widen the learner's scope of understanding through positive peer socialization.

**Facility Improvements:** Lighting upgrades/replacements were completed in the Maple Place cafeteria. At Wolf Hill we replaced four exterior doors at the gym entrances, eight various interior doors.

### **INTERNAL ACCOUNTING CONTROLS:**

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

As a recipient of Federal and State financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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

### **BUDGETARY CONTROLS:**

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

### **ACCOUNTING SYSTEM AND REPORTS:**

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

**CASH MANAGEMENT:**

The investment policy of the District is guided in large part by State statute as detailed in "Notes to the Financial Statement, Note 2. The District has adopted a cash management plan which requires it to deposit public funds in the public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**RISK MANAGEMENT:**

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

**OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Jump, Perry and Company, LLP, Certified Public Accountants, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related Uniform Guidance and State Treasury Circular Letter 15-08. The auditor's report on the general purpose financial statements and combined and individual fund statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit section are included in the single audit section of this report.

**ACKNOWLEDGEMENTS:**

We would like to express our appreciation to the members of the Oceanport School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

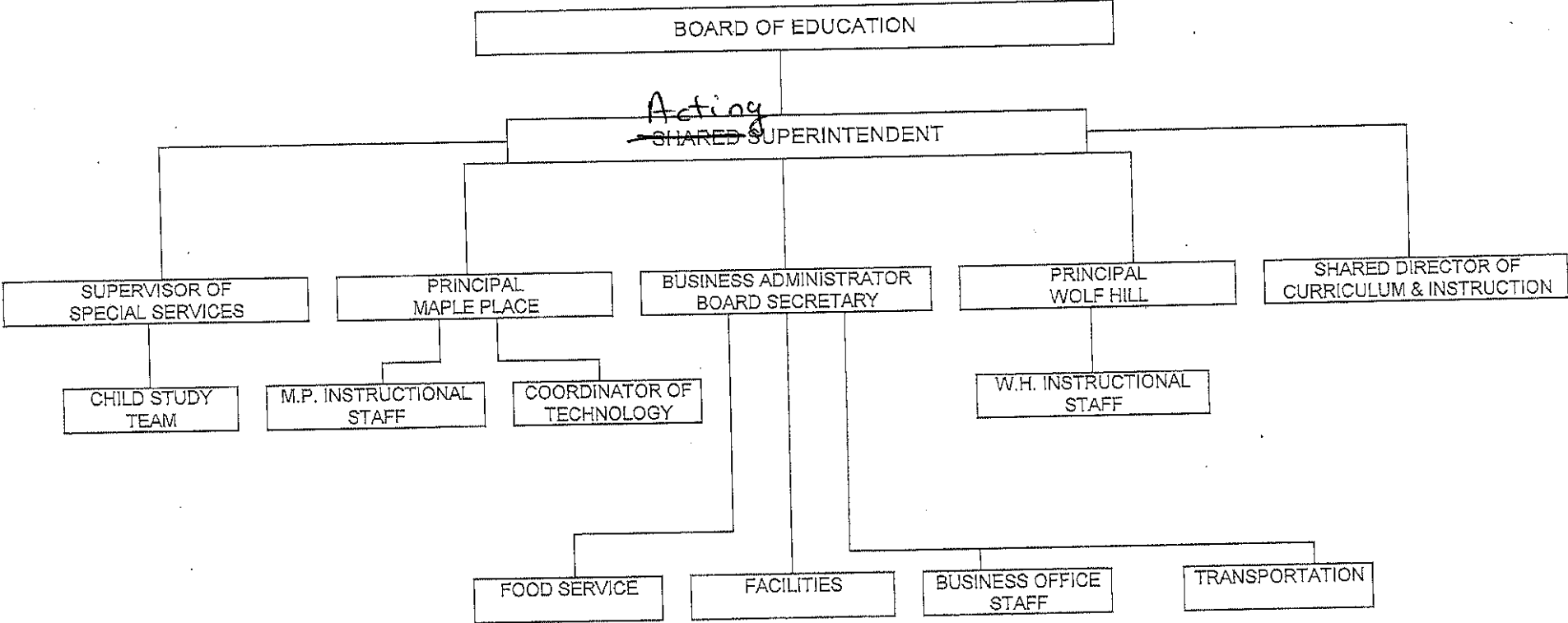


Anne Facendo  
Interim Superintendent



Valery Petrone  
Interim Business Administrator/Board Secretary

OCEANPORT BOARD OF EDUCATION  
ORGANIZATIONAL CHART





Oceanport Board of Education  
Oceanport, New Jersey

Roster of Officials  
June 30, 2019

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|--|---------------------|
| Michelle McMullin, President             | 2019                |
| Natalie Papailiou, Vice President        | 2021                |
| John Fleming                             | 2021                |
| Bryan Russell                            | 2020                |
| Lisa Harvey                              | 2020                |
| Andrea Fitzpatrick                       | 2021                |
| Michael Murphy                           | 2021                |
| Meghan Walker                            | 2019                |
| Marion Wilhalme                          | 2019                |

Other Officials

Melanie Lipinski, Acting Superintendent of Schools

Denise C. Friedmann, Interim Business Administrator/Board Secretary (July 1, 2018 - August 30, 2019)

Valery Petrone, Interim Business Administrator/Board Secretary (September 1, 2019 - present)

Oceanport School District  
Consultants and Advisors

Audit Firm

Jump, Perry and Company, L.L.P.  
12 Lexington Avenue  
Toms River, New Jersey 08753

Attorney

Kenney, Gross, Kovats and Parton  
130 Maple Avenue, Building 8  
Red Bank, New Jersey 07701

Official Depositories

Investors Savings Bank  
169 Broadway  
Long Branch, New Jersey 07740

## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

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

### Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Oceanport School District in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

## *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, the aggregated discretely presented component unit, each major fund, and the aggregate remaining fund information of Oceanport School District in the County of Monmouth, State of New Jersey as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oceanport School District's basic financial statements. The introductory section, combining fund financial statements and schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

*Other Information (Cont'd)*

The combining fund financial statements and schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

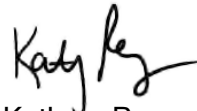
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the Oceanport School District in the County of Monmouth, State of New Jersey 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 Oceanport School District in the County of Monmouth, State of New Jersey internal control over financial reporting and compliance.

Respectfully Submitted,

Jump, Perry and Company L.L.P.  
Toms River, New Jersey



Kathryn Perry, Partner  
Licensed Public School Accountant  
No. CS 20CS00226400

Toms River, New Jersey  
November 12, 2019

REQUIRED SUPPLEMENTARY INFORMATION - PART I

Oceanport School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

The discussion and analysis of Oceanport School District's financial performance provides an overall review of the School Board's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School Board's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School Board's financial performance.

**Financial Highlights**

Key financial highlights for June 30, 2019 are as follows:

Net position totaled \$2,035,697, which represents a 4.19 percent decrease from June 30, 2018.

General revenues accounted for \$11,576,817 in revenue or 90.17 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,262,112 or 9.83 percent of total revenues of \$12,838,929.

Total assets decreased by \$678,154 as current assets increased by \$564,225 and capital assets, net decreased by \$113,929.

The School Board had \$12,757,020 in expenses; only \$1,262,112 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$11,576,817 were adequate to provide for these programs.

Among major funds, the General Fund had \$11,651,581 in revenues and \$12,172,228 in expenditures and transfers. The General Fund's balance decreased \$520,647 over June 30, 2018. The General Fund's balance is \$1,383,574.

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

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

The Statement of Net Position and Statement of Activities provide information about the activities of the School Board, presenting both an aggregate view of the School Board's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For government funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the School Board's most significant funds with all other non-major funds presented in total in one column. In the case of Oceanport School District, the General Fund is by far the most significant.



## **Reporting the School Board as a Whole**

### **Statement of Net Position and the Statement of Activities**

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

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

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

**Governmental Activities** - All of the School Board's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

**Business-Type Activities** - This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Funds are reported as a business activity.

## **Reporting the School Board's Most Significant Funds**

### **Fund Financial Statement**

The Analysis of the School Board's major funds begins with Exhibit B-1. Fund financial reports provide detailed information about the School Board's major funds. The School Board's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

### **Governmental Funds**

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

### **Enterprise Fund**

The Enterprise Fund uses the same basis of accounting as business-type activities.

## The School Board as a Whole

The Statement of Net Position provides the financial perspective of the School Board as a whole.

Table 1 provides a summary comparison of the School Board's net position for June 30, 2019 and 2018.

Table 1

Net Position as of June 30, 2019 and June 30, 2018

|                                      | June 30, 2019              |                             |              | June 30, 2018              |                             |              |
|--------------------------------------|----------------------------|-----------------------------|--------------|----------------------------|-----------------------------|--------------|
|                                      | Governmental<br>Activities | Business-type<br>Activities | Total        | Governmental<br>Activities | Business-type<br>Activities | Total        |
| Assets:                              |                            |                             |              |                            |                             |              |
| Current and other assets             | \$ 1,479,300               | \$ 62,154                   | \$ 1,541,454 | \$ 2,025,835               | \$ 79,844                   | \$ 2,105,679 |
| Capital assets, net                  | 4,573,475                  | -                           | 4,573,475    | 4,687,404                  | -                           | 4,687,404    |
| Total assets                         | 6,052,775                  | 62,154                      | 6,114,929    | 6,713,239                  | 79,844                      | 6,793,083    |
| Deferred outflow of<br>resources     | 843,878                    | -                           | 843,878      | 922,021                    | -                           | 922,021      |
| Liabilities:                         |                            |                             |              |                            |                             |              |
| Current liabilities                  | 110,303                    | 16,714                      | 127,017      | 141,329                    | 4,338                       | 145,667      |
| Long-term liabilities<br>outstanding | 3,801,852                  | -                           | 3,801,852    | 4,831,180                  | -                           | 4,831,180    |
| Total liabilities                    | 3,912,155                  | 16,714                      | 3,928,869    | 4,972,509                  | 4,338                       | 4,976,847    |
| Deferred inflow of<br>resources      | 994,241                    | -                           | 994,241      | 784,469                    | -                           | 784,469      |
| Net position:                        |                            |                             |              |                            |                             |              |
| Net investment in capital<br>assets  | 3,573,876                  | -                           | 3,573,876    | 3,513,665                  | -                           | 3,513,665    |
| Restricted                           | 1,131,410                  | -                           | 1,131,410    | 1,655,089                  | -                           | 1,655,089    |
| Unrestricted                         | (2,715,029)                | 45,440                      | (2,669,589)  | (3,290,472)                | 75,506                      | (3,214,966)  |
| Total Net Position                   | \$ 1,990,257               | \$ 45,440                   | \$ 2,035,697 | \$ 1,878,282               | \$ 75,506                   | \$ 1,953,788 |

The School Board's combined net position was \$2,035,697 on June 30, 2019. This is a change of 4.19% from the previous year.

Table 2 provides a comparison analysis of School Board's changes in net position from fiscal years June 30, 2019 and 2018.

Table 2

Changes in Net Position

|  | June 30, 2019           |                          |                   | June 30, 2018           |                          |                   |
|--|-------------------------|--------------------------|-------------------|-------------------------|--------------------------|-------------------|
|  | Governmental Activities | Business-type Activities | Total             | Governmental Activities | Business-type Activities | Total             |
| <b>Revenues</b>                                |                         |                          |                   |                         |                          |                   |
| Program revenues:                              |                         |                          |                   |                         |                          |                   |
| Charges for services                           | \$ 217,899              | \$ 241,342               | \$ 459,241        | \$ 295,448              | \$ 245,009               | \$ 540,457        |
| Operating and capital grants and contributions | 764,752                 | 38,119                   | 802,871           | 980,046                 | 30,169                   | 1,010,215         |
| General revenues:                              |                         |                          |                   |                         |                          |                   |
| Property taxes                                 | 10,150,750              | -                        | 10,150,750        | 9,894,381               | -                        | 9,894,381         |
| Federal and state aid                          | 887,784                 | -                        | 887,784           | 936,984                 | -                        | 936,984           |
| Investment earnings                            | 32,815                  | 1,244                    | 34,059            | 28,212                  | 1,377                    | 29,589            |
| Miscellaneous                                  | 504,224                 | -                        | 504,224           | 28,621                  | -                        | 28,621            |
| <b>Total revenues</b>                          | <b>12,558,224</b>       | <b>280,705</b>           | <b>12,838,929</b> | <b>12,163,692</b>       | <b>276,555</b>           | <b>12,440,247</b> |
| <b>Expenses</b>                                |                         |                          |                   |                         |                          |                   |
| Instructional services                         | 5,075,272               | -                        | 5,075,272         | 4,919,086               | -                        | 4,919,086         |
| Support services                               | 7,335,658               | 310,771                  | 7,646,429         | 7,173,967               | 318,304                  | 7,492,271         |
| Interest on long-term liabilities              | 35,319                  | -                        | 35,319            | 50,825                  | -                        | 50,825            |
| <b>Total expenses</b>                          | <b>12,446,249</b>       | <b>310,771</b>           | <b>12,757,020</b> | <b>12,143,878</b>       | <b>318,304</b>           | <b>12,462,182</b> |
| Change in net position                         | 111,975                 | (30,066)                 | 81,909            | 19,814                  | (41,749)                 | (21,935)          |
| Transfers                                      | -                       | -                        | -                 | -                       | -                        | -                 |
| Net position - beginning                       | 1,878,282               | 75,506                   | 1,953,788         | 1,858,468               | 117,255                  | 1,975,723         |
| Net position (deficit) - ending                | \$ 1,990,257            | \$ 45,440                | \$ 2,035,697      | \$ 1,878,282            | \$ 75,506                | \$ 1,953,788      |

The tax levy increase was due in general to cover increased costs in salaries and benefits, utilities and the debt service. The Federal and State aid-restricted decreased due to the decrease in grants available.

Regular instructional costs increased due to contractual increases in salary and benefits as well as program maintenance and enhancements.

Other support services increased primarily due to the additional other purchased professional services from the Special Revenue Fund.

## Expenses for Fiscal Year June 30, 2019

### Business-Type Activities

Revenues for the District's business-type activities (food service program and child care) were comprised of charges for services and royalties.

Total Enterprise Fund revenues fell behind expenses by \$30,066.

Charges for services represent \$241,342 of revenue. This represents the amount paid by patrons for daily food service and catering and child care.

Federal and state reimbursements for meals, including interest, payments for free and reduced lunches and donated commodities was \$38,119.

### Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total costs of services and the net cost of services. The net cost shows the financial burden that was placed on the School District's taxpayers by each of these functions.

Table 3

|   | Governmental Activities          |                                |                                  |                                |
|---|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|   | 2019                             |                                | 2018                             |                                |
|   | Total Cost of<br><u>Services</u> | Net Cost of<br><u>Services</u> | Total Cost of<br><u>Services</u> | Net Cost of<br><u>Services</u> |
| Instruction   | \$ 5,075,272                     | \$ 4,857,373                   | \$ 4,919,086                     | \$ 4,623,638                   |
| Support Services:   |                                  |                                |                                  |                                |
| Pupils and Instructional Staff  | 2,422,205                        | 1,657,453                      | 2,302,684                        | 1,322,638                      |
| General Administration,<br>School Administration,<br>Business Operation<br>and Maintenance<br>of Facilities | 4,453,725                        | 4,453,725                      | 4,591,202                        | 4,591,202                      |
| Pupil Transportation  | 459,728                          | 459,728                        | 280,081                          | 280,081                        |
| Interest and Fiscal Charges   | 35,319                           | 35,319                         | 50,825                           | 50,825                         |
| Total Expenses  | \$ 12,446,249                    | \$ 11,463,598                  | \$ 12,143,878                    | \$ 10,868,384                  |

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

Extracurricular activities includes expenses related to student activities provided by the District which are designed to provide opportunities for students to participate in school and public events for the purpose of motivation, enjoyment, skill improvement, school spirit and leadership. Approximately 90% of the student population participates in extracurricular activities.

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

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

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

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

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

## The School Board's Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allow the School Board to demonstrate its stewardship over and accountability for resources received from the Borough of Oceanport, State of New Jersey and other entities. These statements also allow the reader to obtain more insight into the financial workings of the School Board, and assess further the School Board's overall financial health.

As the School Board completed the fiscal year ended June 30, 2019, it reported a combined fund balance of \$1,383,580, which is an decrease of \$536,479. The Statement of Revenue Expenditures and Changes in Fund Balances of Governmental Funds, Exhibit B-2, presents the reader with a detailed explanation of the increase in fund balance for the fiscal year.

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2019.

| <u>Revenue</u>  | <u>2019<br/>Amount</u> | <u>Percent of Total</u> | <u>Increase/<br/>(Decrease)<br/>from<br/>2018</u> | <u>Percent of<br/>Increase/<br/>(Decrease)</u> |
|-----------------|------------------------|-------------------------|---|--|
| Local Sources   | \$ 10,452,190          | 86.35 %                 | \$ 205,528  | 2.01 %   |
| State Sources   | 1,367,397              | 11.30                   | (184,388)   | (11.88)  |
| Federal Sources | <u>285,139</u>         | <u>2.35</u>             | <u>(80,106)</u>                                   | <u>(21.93)</u>                                 |
| Total           | <u>\$ 12,104,726</u>   | <u>100.00 %</u>         | <u>\$ (58,966)</u>                                | <u>(0.48)%</u>                                 |

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2019.

| <u>Expenditures</u>   | <u>2019<br/>Amount</u> | <u>Percent of Total</u> | <u>Increase/<br/>(Decrease)<br/>from<br/>2018</u> | <u>Percent of<br/>Increase/<br/>(Decrease)</u> |
|-----------------------|------------------------|-------------------------|---|--|
| Current Expenditures: |                        |                         |   |  |
| Instruction           | \$ 5,075,272           | 40.15 %                 | \$ 156,186  | 3.18 %   |
| Undistributed         |                        |                         |   |  |
| Expenditures          | 7,233,929              | 57.22                   | 718,462   | 11.03  |
| Capital Outlay        | 165,060                | 1.31                    | 42,506  | 34.68  |
| Debt Service:         |                        |                         |   |  |
| Principal             | 130,000                | 1.03                    | -   | -  |
| Interest              | <u>36,944</u>          | <u>0.29</u>             | <u>(4,610)</u>                                    | <u>(11.09)</u>                                 |
| Total                 | <u>\$ 12,641,205</u>   | <u>100.00 %</u>         | <u>\$ 912,544</u>                                 | <u>7.78 %</u>                                  |

## General Fund Budgeting Highlights

The School Board's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the School Board revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

The General Fund finished the fiscal year approximately \$143,283 better than had been budgeted in terms of expenditures. Revenue-wise, the General Fund fared about \$73,723 better than expected. Both these amounts have been adjusted for the non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement medical contributions.

The General Fund has restricted a portion of its Fund Balance. The restricted Fund Balance items are as follows:

|   |            |
|---|------------|
| Excess Surplus - Designated for Subsequent Year |            |
| Expenditures                                    | \$ 350,948 |
| Capital Reserve                                 | 41         |
| Maintenance Reserve                             | 442,459    |
| Emergency Reserve                               | 117,880    |
| Excess Surplus - Current Year                   | 220,076    |

These restricted reserves are regulated as to their use by the State of New Jersey. Therefore, the Board places funds in the reserves in combination with the future financial needs of the District.

The expenditures were less due to cost containment by the Board even after the salary and benefit increases. General supplies were purchased at better prices than expected due to the school board joining other schools in cooperative bidding. The district also joined a co-op for energy consumption, which was done after the budget was struck. Through efforts made in finding jointures with other local districts, and increase students on district owned vehicles the district transportation costs were lowered for special needs students.

The revenue situation arose primarily because of tuition received from out of district students.

The excesses will be carried forward into the beginning fund balance from the 2018-2019 fiscal year and will be used to reduce the local tax levy for the 2020-2021 fiscal year.

## Capital Assets and Debt Administration

*Capital Assets.* At the end of the fiscal year June 30, 2019, the School Board had \$4,573,475 invested in land, buildings, and machinery and equipment.

Table 4

Capital Assets (Net of Depreciation) at June 30, 2019 and June 30, 2018

|                           | Governmental Activities |                     | Business-type Activities |             | Total               |                     |
|---------------------------|-------------------------|---------------------|--------------------------|-------------|---------------------|---------------------|
|                           | 2019                    | 2018                | 2019                     | 2018        | 2019                | 2018                |
| Land                      | \$ 1,315,100            | \$ 1,315,100        | \$ -                     | \$ -        | \$ 1,315,100        | \$ 1,315,100        |
| Construction in Progress  | -                       | -                   | -                        | -           | -                   | -                   |
| Building and Improvements | 2,908,322               | 3,049,674           | -                        | -           | 2,908,322           | 3,049,674           |
| Machinery and Equipment   | 350,053                 | 322,630             | -                        | -           | 350,053             | 322,630             |
| <b>Total</b>              | <b>\$ 4,573,475</b>     | <b>\$ 4,687,404</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 4,573,475</b> | <b>\$ 4,687,404</b> |

During the current fiscal year, \$102,223 of capital assets were capitalized as additions. Increases in capital assets were offset by depreciation expense for the year.

*Debt Administration.* The District's long-term liabilities are as follows for the governmental and business-type activities:

|                                    | <u>June 30, 2019</u>       | <u>June 30, 2018</u>       |
|------------------------------------|----------------------------|----------------------------|
| Bonds Payable (net)                | \$ 940,000                 | \$ 1,504,153               |
| Capital Leases payable             | 59,599                     | 103,739                    |
| Pension Liability-PERS             | 2,401,217                  | 2,647,812                  |
| Compensated Absences payable       | <u>401,036</u>             | <u>575,476</u>             |
| <b>Total long-term liabilities</b> | <b>\$ <u>3,801,852</u></b> | <b>\$ <u>4,831,180</u></b> |

For more detailed information, please refer to the Capital Assets and Long-term debt notes in the basic financial statements.

## Economic Factors and Next Year's Budget

For the 2018-2019 school year, the School Board was able to sustain its budget through the local tax levy, state education aid and local revenue sources. Approximately 13.65% of the School Board's revenue is from federal, state and local aid (restricted and not restricted), while 86.35% of total revenue is from local sources.

The \$(2,715,029) in unrestricted net position for all governmental activities represents the accumulated results of all past years' operations. It means that if the School Board had to pay off all bills today, including all of the School Board's non-capital liabilities (compensated absences, etc.), the School Board would have that much in value.

The 2018-2019 budget was adopted in March 2018 based in part on the state education aid the School Board anticipated receiving. Due to the economic condition in the State of New Jersey funding from the State for the current year remained below the previous year. Any future increases based on the enrollment formula, originally formulated to allocate state education aid amongst school boards, will be minimal. Future decreases in local revenue and state education aid will place additional burden on the Borough of Oceanport for increased aid.



The School Board anticipates a slight decrease in enrollment for the 2019-2020 fiscal year. If the School Board were to experience a significant increase in enrollment with no appreciable increase in state aid for future budgets, the School Board will be faced with the following alternatives: (a) reduce programs and services, (b) increase local tax levy or (c) seek alternative sources of funding.

### **Contacting the School Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School Board's finances and to show the School Board's accountability for the money it receives. If you have questions about this report or need additional information, you may contact the School Business Administrator/Board Secretary at Oceanport School District, 29 Wolf Hill Avenue, Oceanport, NJ, 07757.

## BASIC FINANCIAL STATEMENTS

**OCEANPORT SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2019**

|                                       | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>        |
|---------------------------------------|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>                         |                                    |                                     |                     |
| Cash and cash equivalents             | \$ 1,285,533                       | \$ 54,870                           | \$ 1,340,403        |
| Capital reserve cash                  | 41                                 | -                                   | 41                  |
| Interfund receivable                  | -                                  | 4,026                               | 4,026               |
| Receivables - state                   | 161,055                            | 105                                 | 161,160             |
| Receivables - federal                 | 32,671                             | 2,186                               | 34,857              |
| Receivables- other                    | -                                  | -                                   | -                   |
| Inventory                             | -                                  | 967                                 | 967                 |
| Capital assets, non-depreciable       | 1,315,100                          | -                                   | 1,315,100           |
| Capital assets, depreciable, net      | 3,258,375                          | -                                   | 3,258,375           |
| Total assets                          | <u>6,052,775</u>                   | <u>62,154</u>                       | <u>6,114,929</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                    |                                     |                     |
| Deferred outflows - PERS              | 843,878                            | -                                   | 843,878             |
|                                       | <u>843,878</u>                     | <u>-</u>                            | <u>843,878</u>      |
| <b>LIABILITIES</b>                    |                                    |                                     |                     |
| Accounts payable                      | -                                  | 13,814                              | 13,814              |
| Interfund payable                     | 45,711                             | -                                   | 45,711              |
| Other liabilities                     | 14,583                             | -                                   | 14,583              |
| Unearned revenue                      | 50,009                             | 2,900                               | 52,909              |
| Noncurrent liabilities:               |                                    |                                     |                     |
| Due within one year                   | 167,599                            | -                                   | 167,599             |
| Due beyond one year                   | 3,634,253                          | -                                   | 3,634,253           |
| Total liabilities                     | <u>3,912,155</u>                   | <u>16,714</u>                       | <u>3,928,869</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                    |                                     |                     |
| Deferred inflows - PERS               | 994,241                            | -                                   | 994,241             |
|                                       | <u>994,241</u>                     | <u>-</u>                            | <u>994,241</u>      |
| <b>NET POSITION</b>                   |                                    |                                     |                     |
| Net investment in capital assets      | 3,573,876                          | -                                   | 3,573,876           |
| Restricted for:                       |                                    |                                     |                     |
| Capital projects                      | 41                                 | -                                   | 41                  |
| Debt service                          | 6                                  | -                                   | 6                   |
| Other purposes                        | 1,131,363                          | -                                   | 1,131,363           |
| Unrestricted                          | (2,715,029)                        | 45,440                              | (2,669,589)         |
| Total net positions                   | <u>\$ 1,990,257</u>                | <u>\$ 45,440</u>                    | <u>\$ 2,035,697</u> |

**OCEANPORT SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

| Functions/Programs                        | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Positions |                          |                        |
|---|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                            | Business-type Activities | Total                  |
| <b>Governmental activities:</b>           |                      |                      |                                    |                                  |  |                          |                        |
| Current:                                  |                      |                      |                                    |                                  |  |                          |                        |
| Regular instruction                       | \$ 3,648,729         | \$ 217,899           | \$ -                               | \$ -                             | \$ (3,430,830)                                     | \$ -                     | \$ (3,430,830)         |
| Special education instruction             | 1,223,531            | -                    | -                                  | -                                | (1,223,531)  | -                        | (1,223,531)            |
| Other special instruction                 | 203,012              | -                    | -                                  | -                                | (203,012)  | -                        | (203,012)              |
| Support services and undistributed costs: |                      |                      |                                    |                                  |  |                          |                        |
| Instruction                               | 221,724              | -                    | -                                  | -                                | (221,724)  | -                        | (221,724)              |
| Attendance and social work                | 21,193               | -                    | -                                  | -                                | (21,193)   | -                        | (21,193)               |
| Health services                           | 148,033              | -                    | -                                  | -                                | (148,033)  | -                        | (148,033)              |
| Other support services                    | 1,101,563            | -                    | -                                  | -                                | (1,101,563)  | -                        | (1,101,563)            |
| Educational media services                | 155,932              | -                    | -                                  | -                                | (155,932)  | -                        | (155,932)              |
| Instruction staff training                | 9,008                | -                    | -                                  | -                                | (9,008)  | -                        | (9,008)                |
| General administrative services           | 301,641              | -                    | -                                  | -                                | (301,641)  | -                        | (301,641)              |
| School administrative services            | 380,218              | -                    | -                                  | -                                | (380,218)  | -                        | (380,218)              |
| Central services                          | 183,975              | -                    | -                                  | -                                | (183,975)  | -                        | (183,975)              |
| Admin. information technology             | 4,748                | -                    | -                                  | -                                | (4,748)  | -                        | (4,748)                |
| Allowed maintenance for school facilities | 432,884              | -                    | -                                  | -                                | (432,884)  | -                        | (432,884)              |
| Other operation & maintenance of plant    | 825,468              | -                    | -                                  | -                                | (825,468)  | -                        | (825,468)              |
| Security                                  | 93,329               | -                    | -                                  | -                                | (93,329)   | -                        | (93,329)               |
| Student transportation services           | 459,728              | -                    | -                                  | -                                | (459,728)  | -                        | (459,728)              |
| Unallocated employee benefits             | 2,231,462            | -                    | -                                  | -                                | (2,231,462)  | -                        | (2,231,462)            |
| Non-budgeted expenditures                 | 764,752              | -                    | 764,752                            | -                                | -  | -                        | -                      |
| Interest expense                          | 35,319               | -                    | -                                  | -                                | (35,319)   | -                        | (35,319)               |
| <b>Total governmental activities</b>      | <b>12,446,249</b>    | <b>217,899</b>       | <b>764,752</b>                     | <b>-</b>                         | <b>(11,463,598)</b>                                | <b>-</b>                 | <b>(11,463,598)</b>    |
| Business-type activities:                 |                      |                      |                                    |                                  |  |                          |                        |
| Enterprise fund                           | 310,771              | 241,342              | 38,119                             | -                                | -  | (31,310)                 | (31,310)               |
| <b>Total business-type activities</b>     | <b>310,771</b>       | <b>241,342</b>       | <b>38,119</b>                      | <b>-</b>                         | <b>-</b>   | <b>(31,310)</b>          | <b>(31,310)</b>        |
| <b>Total primary government</b>           | <b>\$ 12,757,020</b> | <b>\$ 459,241</b>    | <b>\$ 802,871</b>                  | <b>\$ -</b>                      | <b>\$ (11,463,598)</b>                             | <b>\$ (31,310)</b>       | <b>\$ (11,494,908)</b> |
| <b>General revenues:</b>                  |                      |                      |                                    |                                  |  |                          |                        |
| Taxes:                                    |                      |                      |                                    |                                  |  |                          |                        |
| Property taxes levied for general purpose |                      |                      |                                    |                                  | \$ 10,056,401                                      | \$ -                     | \$ 10,056,401          |
| Taxes levied for debt service             |                      |                      |                                    |                                  | 94,349   | -                        | 94,349                 |
| Federal and state aid not restricted      |                      |                      |                                    |                                  | 602,645  | -                        | 602,645                |
| Federal aid restricted                    |                      |                      |                                    |                                  | 285,139  | -                        | 285,139                |
| Miscellaneous income                      |                      |                      |                                    |                                  | 50,726   | -                        | 50,726                 |
| Investment earnings                       |                      |                      |                                    |                                  | 32,815   | 1,244                    | 34,059                 |
| Transfer                                  |                      |                      |                                    |                                  | -  | -                        | -                      |
| Forgiveness of debt-CDL cancellation      |                      |                      |                                    |                                  | 453,498  | -                        | 453,498                |
| <b>Total general revenues</b>             |                      |                      |                                    |                                  | <b>\$ 11,575,573</b>                               | <b>\$ 1,244</b>          | <b>11,576,817</b>      |
| <b>Change in net positions</b>            |                      |                      |                                    |                                  | <b>111,975</b>                                     | <b>(30,066)</b>          | <b>81,909</b>          |
| <b>Net position—beginning</b>             |                      |                      |                                    |                                  | <b>1,878,282</b>                                   | <b>75,506</b>            | <b>1,953,788</b>       |
| <b>Net position—ending</b>                |                      |                      |                                    |                                  | <b>\$ 1,990,257</b>                                | <b>\$ 45,440</b>         | <b>\$ 2,035,697</b>    |

**OCEANPORT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

|  | General<br>Fund     | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| <b>ASSETS</b>  |                     |                            |                             |                         |                                |
| Cash and cash equivalents  | \$ 1,318,198        | \$ (32,671)                | \$ -                        | \$ 6                    | \$ 1,285,533                   |
| Capital reserve  | 41                  | -                          | -                           | -                       | 41                             |
| Interfund receivables  | 92,024              | -                          | -                           | -                       | 92,024                         |
| Receivables from federal   | -                   | 32,671                     | -                           | -                       | 32,671                         |
| Receivables from state   | 69,031              | -                          | 92,024                      | -                       | 161,055                        |
| Other - [tuition]  | -                   | -                          | -                           | -                       | -                              |
| <b>Total assets</b>  | <b>1,479,294</b>    | <b>-</b>                   | <b>92,024</b>               | <b>6</b>                | <b>1,571,324</b>               |
| <b>LIABILITIES AND FUND BALANCES</b>                                       |                     |                            |                             |                         |                                |
| Liabilities:   |                     |                            |                             |                         |                                |
| Accounts payable   | -                   | -                          | -                           | -                       | -                              |
| Other liabilities  | -                   | -                          | -                           | -                       | -                              |
| Interfund payable  | 45,711              | -                          | 92,024                      | -                       | 137,735                        |
| Payable to federal government  | -                   | -                          | -                           | -                       | -                              |
| Payable to state government  | -                   | -                          | -                           | -                       | -                              |
| Unearned revenue   | 50,009              | -                          | -                           | -                       | 50,009                         |
| <b>Total liabilities</b>   | <b>95,720</b>       | <b>-</b>                   | <b>92,024</b>               | <b>-</b>                | <b>187,744</b>                 |
| Fund Balances:   |                     |                            |                             |                         |                                |
| Restricted for:  |                     |                            |                             |                         |                                |
| Legally restricted -- designated for subsequent year's expenditures        | -                   | -                          | -                           | -                       | -                              |
| Excess surplus - current year  | 220,076             | -                          | -                           | -                       | 220,076                        |
| Excess surplus - prior year- designated for Subsequent year's expenditures | 350,948             | -                          | -                           | -                       | 350,948                        |
| Capital reserve account  | 41                  | -                          | -                           | -                       | 41                             |
| Maintenance reserve account  | 442,459             | -                          | -                           | -                       | 442,459                        |
| Emergency reserve account  | 117,880             | -                          | -                           | -                       | 117,880                        |
| Debt services  | -                   | -                          | -                           | 6                       | 6                              |
| Committed to:  |                     |                            |                             |                         |                                |
| Debt Service Fund  | -                   | -                          | -                           | -                       | -                              |
| Other purposes   | -                   | -                          | -                           | -                       | -                              |
| Assigned to:   |                     |                            |                             |                         |                                |
| Other purposes   | -                   | -                          | -                           | -                       | -                              |
| Designated by the BOE for subsequent year's expenditures                   | -                   | -                          | -                           | -                       | -                              |
| Unassigned:  |                     |                            |                             |                         |                                |
| General fund   | 252,170             | -                          | -                           | -                       | 252,170                        |
| <b>Total fund balances</b>   | <b>1,383,574</b>    | <b>-</b>                   | <b>-</b>                    | <b>6</b>                | <b>1,383,580</b>               |
| <b>Total liabilities and fund balances</b>                                 | <b>\$ 1,479,294</b> | <b>\$ -</b>                | <b>\$ 92,024</b>            | <b>\$ 6</b>             |                                |

Amounts reported for *governmental activities* in the statement of net position(A-1) are different because:

|  |                            |
|--|----------------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,757,324 and the accumulated depreciation is \$4,183,848. | 4,573,475                  |
| Deferred outflows related to the PERS pension plan   | 843,878                    |
| Deferred inflows related to the PERS pension plan  | (994,241)                  |
| Accrued interest   | (14,583)                   |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.  | <u>(3,801,852)</u>         |
| <b>Net position of governmental activities</b>   | <b><u>\$ 1,990,257</u></b> |

**OCEANPORT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

|  | General<br>Fund      | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------------|-------------------------|--------------------------------|
| <b>REVENUES</b>                                      |                      |                            |                         |                                |
| Local sources:                                       |                      |                            |                         |                                |
| Local tax levy                                       | \$ 10,056,401        | \$ -                       | \$ 94,349               | \$ 10,150,750                  |
| Tuition charges                                      | 217,899              | -                          | -                       | 217,899                        |
| Interest on investments                              | 26,195               | -                          | -                       | 26,195                         |
| Interest earned on reserve funds                     | 6,620                | -                          | -                       | 6,620                          |
| Transportation fees                                  | 6,150                | -                          | -                       | 6,150                          |
| Rents and royalties                                  | 18,550               | -                          | -                       | 18,550                         |
| Miscellaneous  | 9,132                | 16,894                     | -                       | 26,026                         |
| Total - local sources                                | 10,340,947           | 16,894                     | 94,349                  | 10,452,190                     |
| State sources  | 1,310,634            | -                          | 56,763                  | 1,367,397                      |
| Federal sources                                      | -                    | 285,139                    | -                       | 285,139                        |
| Total revenues                                       | <u>\$ 11,651,581</u> | <u>\$ 302,033</u>          | <u>\$ 151,112</u>       | <u>\$ 12,104,726</u>           |
| <b>EXPENDITURES</b>                                  |                      |                            |                         |                                |
| Current:   |                      |                            |                         |                                |
| Regular instruction                                  | \$ 3,421,925         | \$ 226,804                 | \$ -                    | \$ 3,648,729                   |
| Special education instruction                        | 1,223,531            | -                          | -                       | 1,223,531                      |
| Other special instruction                            | 97,082               | -                          | -                       | 97,082                         |
| School sponsored/other instructional                 | 105,930              | -                          | -                       | 105,930                        |
| Undistributed - current:                             |                      |                            |                         |                                |
| Instruction  | 221,724              | -                          | -                       | 221,724                        |
| Bilingual education                                  | 21,193               | -                          | -                       | 21,193                         |
| Health services                                      | 148,033              | -                          | -                       | 148,033                        |
| Other support services                               | 1,026,334            | 75,229                     | -                       | 1,101,563                      |
| Educational media services                           | 155,932              | -                          | -                       | 155,932                        |
| Instruction staff training                           | 9,008                | -                          | -                       | 9,008                          |
| General administrative services                      | 301,641              | -                          | -                       | 301,641                        |
| School administrative services                       | 380,218              | -                          | -                       | 380,218                        |
| Central services                                     | 183,975              | -                          | -                       | 183,975                        |
| Admin. info. technology                              | 4,748                | -                          | -                       | 4,748                          |
| Allowed maintenance for school facilities            | 414,187              | -                          | -                       | 414,187                        |
| Other operation & maintenance of plant               | 609,316              | -                          | -                       | 609,316                        |
| Security   | 93,329               | -                          | -                       | 93,329                         |
| Student transportation services                      | 459,728              | -                          | -                       | 459,728                        |
| Unallocated employee benefits                        | 2,364,582            | -                          | -                       | 2,364,582                      |
| Non-budgeted expenditures                            | 764,752              | -                          | -                       | 764,752                        |
| Debt service:  |                      |                            |                         |                                |
| Principal  | -                    | -                          | 130,000                 | 130,000                        |
| Interest and other charges                           | -                    | -                          | 36,944                  | 36,944                         |
| Capital outlay                                       | 165,060              | -                          | -                       | 165,060                        |
| Total expenditures                                   | <u>12,172,228</u>    | <u>302,033</u>             | <u>166,944</u>          | <u>12,641,205</u>              |
| Excess (deficiency) of revenues<br>over expenditures | <u>(520,647)</u>     | <u>-</u>                   | <u>(15,832)</u>         | <u>(536,479)</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                            |                         |                                |
| Capital leases-non budgeted                          | -                    | -                          | -                       | -                              |
| Transfers out  | -                    | -                          | -                       | -                              |
| Total other financing sources and uses               | <u>-</u>             | <u>-</u>                   | <u>-</u>                | <u>-</u>                       |
| Net change in fund balances                          | (520,647)            | -                          | (15,832)                | (536,479)                      |
| Fund balance—July 1                                  | 1,904,221            | -                          | 15,838                  | 1,920,059                      |
| Fund balance—June 30                                 | <u>\$ 1,383,574</u>  | <u>\$ -</u>                | <u>\$ 6</u>             | <u>\$ 1,383,580</u>            |

**OCEANPORT SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2019**

|   |                      |                  |
|---|----------------------|------------------|
| <b>Total net change in fund balances - governmental funds (from B-2)</b>  | <b>\$</b>            | <b>(536,479)</b> |
| <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 | (216,152)        |
|   | Capital outlays      | 102,223          |
|   |                      | (113,929)        |
| In the Statement of Activities, the PERS pension expense is the amount paid plus net change in the Deferred Outflows, Deferred Inflows and pension liability as reported by the State of New Jersey   |                      | (41,320)         |
| In the statement of activities, interest expense is recorded when paid.   |                      |                  |
| In the governmental funds, the interest is expensed when due and shown as payable at year end.  |                      | 1,625            |
| 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.   |                      | 130,000          |
| Forgiveness of CDL principal and interest in the governmental funds, but repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities  |                      | 453,498          |
| In the Statement of Activities, the principal payments on capital leases are recorded as a reduction in the long-term liability.  |                      |                  |
| In the governmental funds, the payments is an expenditure. (Amount is net of payments included in capital outlay)   |                      | 44,140           |
| In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) and special termination benefits (early retirement incentive) are measured earned during the year. In the governmental funds, however, expenditures for these items are reported by the amounts in the amount of financial resources used, essentially, the amounts actually paid. This year, sick leave was decreased. |                      | 174,440          |
|   |                      | 174,440          |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>            | <b>111,975</b>   |

**OCEANPORT SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

|                                    |    | <u>Business-type Activities -<br/>Enterprise Fund</u> |
|------------------------------------|----|---|
| <b>ASSETS</b>                      |    |   |
| Current assets:                    |    |   |
| Cash and cash equivalents          | \$ | 54,870  |
| Interfund receivable               |    | 4,026   |
| Receivable from state              |    | 105   |
| Receivable from other governments  |    | 2,186   |
| Other receivables                  |    | -   |
| Inventory                          |    | 967   |
| Total current assets               |    | <u>62,154</u>   |
| Noncurrent assets:                 |    |   |
| Furniture, machinery and equipment |    | 228,723   |
| Less accumulated depreciation      |    | <u>(228,723)</u>                                      |
| Total noncurrent assets            |    | -   |
| Total assets                       |    | <u><u>62,154</u></u>                                  |
| <b>LIABILITIES</b>                 |    |   |
| Current liabilities:               |    |   |
| Accounts payable                   |    | 13,814  |
| Unearned revenue                   |    | 2,900   |
| Interfund payable                  |    | -   |
| Total current liabilities          |    | <u>16,714</u>   |
| <b>NET POSITION</b>                |    |   |
| Investment in capital assets       |    | -   |
| Unrestricted                       |    | 45,440  |
| Total net position                 |    | <u>45,440</u>   |
| Total liabilities and net position | \$ | <u><u>62,154</u></u>                                  |



**OCEANPORT SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Positions**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

|   | <b>Business-type Activities -<br/>Enterprise Fund</b> |
|---|---|
| Operating revenues:                       |   |
| Daily Sales Reimbursable Programs         | \$ 74,190   |
| Tuition                                   | 115,492   |
| School Lunch                              | 51,660  |
| Miscellaneous                             | -   |
| Total operating revenues                  | 241,342   |
| <br>                                      |   |
| Operating expenses:                       |   |
| Salaries                                  | 163,363   |
| Employee Benefits                         | 23,878  |
| Other purchased services                  | 43,119  |
| Supplies and materials                    | 29,390  |
| Depreciation                              | -   |
| Cost of sales - reimbursable programs     | 39,076  |
| Cost of sales - non-reimbursable programs | 11,945  |
| Total operating expenses                  | 310,771   |
| Operating income                          | (69,429)  |
| <br>                                      |   |
| Non-operating revenues (expenses):        |   |
| State sources:                            |   |
| State school lunch program                | 1,307   |
| Federal sources:                          |   |
| National school lunch program             | 26,049  |
| National school lunch program-PB          | 1,531   |
| Food distribution program                 | 9,232   |
| Interest and investment revenue           | 1,244   |
| Total non-operating revenues (expenses)   | 39,363  |
| Change in net position                    | (30,066)  |
| <br>                                      |   |
| Transfer from General Fund                | -   |
| <br>                                      |   |
| Total net position—beginning              | 75,506  |
| Total net position—ending                 | \$ 45,440   |

**OCEANPORT SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

|  |    | <u>Business-type Activities -<br/>Enterprise Funds</u> |
|--|----|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |    |  |
| Receipts from customers  | \$ | 241,919  |
| Payments to employees  |    | (163,363)  |
| Payments for employee benefits   |    | (23,878)   |
| Payments to suppliers  |    | (100,753)  |
| <b>Net cash provided by (used in) operating activities</b>   |    | <u>(46,075)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |    |  |
| State sources  |    | 1,202  |
| Federal sources  |    | 27,014   |
| Transfers  |    | -  |
| Interest income  |    | 1,244  |
| <b>Net cash provided by (used in) non-capital financing activities</b>                                   |    | <u>29,460</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |    |  |
| Due from general fund  |    | (4,026)  |
| <b>Net cash provided by (used for) financing activities</b>  |    | <u>(4,026)</u>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>  |    | (20,641)   |
| <b>Balances—beginning of year</b>  |    | 75,511   |
| <b>Balances—end of year</b>  | \$ | <u><u>54,870</u></u>                                   |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |    |  |
| Operating income (loss)  | \$ | (69,429)   |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |    |  |
| Depreciation   |    | -  |
| Federal commodities  |    | 9,232  |
| Increase (decrease) in accounts receivable, net  |    | -  |
| Increase (decrease) in inventories   |    | 1,746  |
| (Increase) decrease in accounts payable  |    | 11,799   |
| Increase (decrease) in interfund payable   |    | -  |
| (Increase) decrease in unearned revenue  |    | 577  |
| <b>Total adjustments</b>   |    | <u>23,354</u>  |
| <b>Net cash provided by (used in) operating activities</b>   | \$ | <u><u>(46,075)</u></u>                                 |

**OCEANPORT SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2019**

|   | <u>Unemployment<br/>Compensation Trust</u> | <u>Agency<br/>Fund</u> | <u>Total</u>      |
|---|--|------------------------|-------------------|
| <b>ASSETS</b>   |  |                        |                   |
| Cash and cash equivalents                                   | \$ 150,231                                 | \$ 77,446              | \$ 227,677        |
| Interfund receivable  | -  | 41,685                 | 41,685            |
| Total assets  | <u>150,231</u>                             | <u>119,131</u>         | <u>269,362</u>    |
| <b>LIABILITIES</b>  |  |                        |                   |
| Payroll deductions and withholdings                         | -  | 53,120                 | 53,120            |
| Payable to student groups                                   | -  | 66,011                 | 66,011            |
| Total liabilities   | <u>-</u>                                   | <u>119,131</u>         | <u>119,131</u>    |
| <b>NET POSITION</b>   |  |                        |                   |
| Held in trust for unemployment<br>claims and other purposes | <u>150,231</u>                             | <u>-</u>               | <u>150,231</u>    |
| Total net position  | <u>150,231</u>                             | <u>-</u>               | <u>150,231</u>    |
| Total liabilities and net position                          | <u>\$ 150,231</u>                          | <u>\$ 119,131</u>      | <u>\$ 269,362</u> |

**OCEANPORT SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2019**

|   | <b>Unemployment<br/>Compensation Trust</b> |
|---|--|
| <b>ADDITIONS</b>  |  |
| Contributions:  |  |
| Plan member   | \$ 27,459                                  |
| Other   | -  |
| Total contributions                                     | 27,459                                     |
| Investment earnings:                                    |  |
| Net increase (decrease) in<br>fair value of investments | -  |
| Interest  | 2,126                                      |
| Dividends   | -  |
| Less investment expense                                 | -  |
| Net investment earnings                                 | 2,126                                      |
| Total additions   | 29,585                                     |
| <b>DEDUCTIONS</b>                                       |  |
| Quarterly contribution reports                          | -  |
| Unemployment claims                                     | 13,087                                     |
| Scholarships awarded                                    | -  |
| Refunds of contributions                                | -  |
| Administrative expenses                                 | -  |
| Total deductions  | 13,087                                     |
| Change in net position                                  | 16,498                                     |
| Net position—beginning of the year                      | 133,733                                    |
| Net position—end of the year                            | \$ 150,231                                 |

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**1. Summary of Significant Accounting Policies**

The financial statements of the Board of Education (the "Board") of Oceanport School District ("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 Board's accounting policies are described below.

**A. Reporting Entity:**

The Oceanport School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in grades K - 8.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The district-wide financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include elementary schools and middle schools located in Oceanport. 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.

**B. Basis of Presentation**

The School District's basic financial statements consist of District-wide statements, including a Statement of Net Position and a Statement of Activities, and Fund Financial Statements which provide a more detailed level of financial information. The Statement of Net Position includes the reporting of assets, deferred outflows, liabilities and deferred inflows. Items not meeting that definition of assets and liabilities have been classified as deferred outflows or deferred inflows. The deferred outflows are reported under assets and deferred inflows are reported under liabilities on the Statement of Net Position.

The School District has employees that are enrolled in a defined benefit plan operated by the State of New Jersey which creates deferred outflows and inflows as described in Note 11.

**District-Wide Statements:** The district-wide financial statements (A-1 and A-2) include the statement of net position and the statement of activities. These Statements include the financial activities of the overall District, except for fiduciary activities. All interfund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities, generally financed in whole or in part with fees charged to external customers.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Presentation (Cont'd):

The statement of net position presents the financial condition of the governmental and business-type activity of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements 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.

**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 for each fund category - governmental, proprietary, and fiduciary - are presented. 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 Governmental Accounting Standards. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

**General Fund:** The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or 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 in this fund budgeted Capital Outlay. 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, district taxes and appropriated fund balances. 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 Current Expense by Board resolution.

Oceanport School District  
Notes to Financial Statements  
For the Year Ended June 30, 2019

1. **Summary of Significant Accounting Policies (Cont'd)**

**B. Basis of Presentation, Basis of Accounting (Cont'd):**

**Basis of Presentation (Cont'd):**

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

**Capital Projects Fund:** The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). 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 bonds issued to finance major property acquisition, construction and improvement programs.

The District reports the following proprietary fund:

**Enterprise Funds:** The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund, the Summer Enrichment Program and School Age Childcare.

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

|           |            |
|-----------|------------|
| Equipment | 5-20 Years |
|-----------|------------|

Additionally, the District reports the following fund type:

**Fiduciary Funds:** The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund and Student Activities.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation, Basis of Accounting (Cont'd):

**Basis of Accounting:**

Basis of Accounting determines when transactions are recorded in the financial records and reported on 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 are accounted for using the "economic resources" measurement focus and the modified accrual basis of accounting; the Enterprise Fund and Fiduciary Funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Differences in the accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. The tax revenues are recognized in the year for which they are levied (see Note 1.d.). Revenue from grants, entitlements, and donations is 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 transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgment's, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital releases are reported as other financing sources.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

**C. Property Taxes**

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 moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".



Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

1. **Summary of Significant Accounting Policies (Cont'd)**

**D. 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 and are not voted upon in the annual school election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C 6A:23:23-16.2(f).

All budget amendments/transfers must be approved by School Board resolution. Budget amendments during the year ended June 30, 2019 were insignificant.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

**E. Encumbrances**

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

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

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**1. Summary of Significant Accounting Policies (Cont'd)**

**F. Cash, Cash Equivalents and Investments**

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:2037 provides a list of permissible investments that may be purchased by New Jersey school districts

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**G. Tuition Receivable**

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

**H. Tuition Payable**

Tuition charges for the fiscal year 2018-2019 are based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**I. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods are recorded as an expenditure during the year of purchase.

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Cont'd)

**J. Short-Term Interfund Receivables/Payables**

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

**K. Capital Assets**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated acquisition value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

**L. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**1. Summary of Significant Accounting Policies (Cont'd)**

**L. Compensated Absences (Cont'd)**

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**M. Unearned Revenue**

Unearned revenue in the general and special revenue funds represent cash which has been received but not yet earned.

**N. 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. Bonds are recognized as a liability on the fund financial statements when due.

**O. Deferred Outflows/Inflows of Resources**

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

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

**P. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School 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 position are available.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

1. **Summary of Significant Accounting Policies (Cont'd)**

**Q. Fund Balance Reserve**

Governmental Accounting Standards established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed - includes amounts that can be spent only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
4. Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process.
5. Unassigned - includes all spendable amounts not contained in the other classifications

**R. Revenues - Exchange and Non-exchange Transactions**

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

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**1. Summary of Significant Accounting Policies (Cont'd)**

**R. Revenues - Exchange and Non-exchange Transactions (Cont'd)**

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

**S. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service, summer enrichment and childcare. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**T. Management Estimates**

The preparation of financial statements in conformity with GAAP 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.

**2. Cash and Cash Equivalents and Investments**

Operating cash, in the form of Negotiable Order of Withdrawal ("NOW") accounts, is held in the District's name by a commercial banking institution. At June 30, 2019, the carrying amount of the District's deposits was \$1,568,121 and the bank balance was \$2,112,041. Of the bank balance, \$250,000 was insured with Federal Deposit Insurance.

Pursuant to Government Accounting Standards, the District's NOW accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2019, all of the District's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**2. Cash and Cash Equivalents and Investments (Cont'd)**

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with GUDPA. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**3. Investments**

Pursuant to the Enabling Act, the funds of the District may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the District may approve.

**Credit Risk:** Government Accounting Standards, require that disclosure be made as to the credit rating of all debt security investments except for obligations of U.S. government or investments guaranteed by the U.S. government. The District has no uninsured deposits.

**Interest Rate Risk:** The District does not have a policy to limit interest rate risk. The average maturity of the District's sole investment, the NJCMF, is less than one year. The District has no deposits invested.

**4. Capital Reserve Account**

A capital reserve account was established by the District 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.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**4. Capital Reserve Account (Cont'd)**

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

The activity of the Capital Reserve for the July 01, 2018 to June 30, 2019 fiscal year is as follows:

|                           |    |                  |
|---------------------------|----|------------------|
| Balance, July 01, 2018    | \$ | 40               |
| Interest Earned           |    | 1                |
| Board Contribution        |    | -                |
| Withdrawals               |    | <u>-</u>         |
| Balance, at June 30, 2019 | \$ | <u><u>41</u></u> |

There were no withdrawals from the capital reserve for DOE approved facilities projects in 2019.

**5. Maintenance Reserve Account**

A Maintenance Reserve Account was established by the Oceanport School District for the accumulation of funds for use as maintenance of Capital Projects in subsequent fiscal years. The Maintenance Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Maintenance Reserve Account are restricted to maintenance projects in the District's approved Comprehensive Maintenance Plan (CMP). Upon submission of the CMP to the New Jersey Department of Education, the District may increase the balance in the maintenance reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. The District may also appropriate additional amounts by board resolution during the year pursuant to N.J.A.C. 6A:23-14.2(d). Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the account cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.



Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**5. Maintenance Reserve Account (Cont'd)**

The balance in the maintenance reserve does not exceed four percent of the replacement cost of the school district's school facilities for the current year at June 30, 2019.

The activity of the Maintenance Reserve for the July 01, 2018 to June 30, 2019 fiscal year is as follows:

|                           |    |                       |
|---------------------------|----|-----------------------|
| Balance, July 01, 2018    | \$ | 657,528               |
| Interest earned           |    | 4,931                 |
| Increase per resolution   |    | -                     |
| Withdrawals/use in budget |    | <u>(220,000)</u>      |
| Balance, at June 30, 2019 | \$ | <u><u>442,459</u></u> |

**6. Emergency Reserve Account**

An Emergency Reserve Account was established by the Oceanport School District for the accumulation of funds in accordance with N.J.S.A. 18A:7F-41c(1). The Emergency Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the Emergency Reserve Account are to finance unanticipated general fund expenditures required for a thorough and efficient education.

The activity of the Emergency Reserve for the July 01, 2018 to June 30, 2019 fiscal year is as follows:

|                           |    |                       |
|---------------------------|----|-----------------------|
| Balance, July 01, 2018    | \$ | 225,000               |
| Board Contribution        |    | -                     |
| Interest                  |    | 1,688                 |
| Withdrawals               |    | <u>(108,808)</u>      |
| Balance, at June 30, 2019 | \$ | <u><u>117,880</u></u> |

**7. Receivables**

Receivables at June 30, 2019, consisted of accounts (rent and tuition), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full. A summary of the principal items of governmental receivables follow on the next page.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

7. Receivables (Cont'd)

|                             | Governmental<br>Fund Financial<br>Statements | District-Wide<br>Financial<br>Statements |
|-----------------------------|--|--|
| State Aid                   | \$ 161,055                                   | \$ 161,160                               |
| Federal Aid                 | 32,671                                       | 34,857                                   |
| Interfunds                  | <u>92,024</u>                                | <u>4,026</u>                             |
| Gross Receivables           | 285,750                                      | 200,043                                  |
| Allowance for Uncollectible | -  | -  |
| Total Receivables, Net      | <u>\$ 285,750</u>                            | <u>\$ 200,043</u>                        |

8. Capital Assets

Capital Assets consisted of the following at June 30, 2019.

|   | Beginning<br>Balance | Additions        | Retirements | Ending<br>Balance   |
|---|----------------------|------------------|-------------|---------------------|
| Governmental Activities:  |                      |                  |             |                     |
| Capital Assets Not Being Depreciated                                    |                      |                  |             |                     |
| Land  | \$ 1,315,100         | -                | -           | \$ 1,315,100        |
| Construction in Progress  | -                    | -                | -           | -                   |
| Total Capital Assets Not Being Depreciated                              | <u>1,315,100</u>     | -                | -           | <u>1,315,100</u>    |
| Capital Assets Being Depreciated  |                      |                  |             |                     |
| Building and Building Improvements                                      | 6,446,607            | -                | -           | 6,446,607           |
| Machinery and Equipment   | <u>893,394</u>       | <u>102,223</u>   | -           | <u>995,617</u>      |
| Totals at Historical Cost   | <u>7,340,001</u>     | <u>102,223</u>   | -           | <u>7,442,224</u>    |
| Less Accumulated Depreciation for:                                      |                      |                  |             |                     |
| Site Improvements   | -                    | -                | -           | -                   |
| Building and Building Improvements                                      | (3,396,933)          | (141,352)        | -           | (3,538,285)         |
| Machinery and Equipment   | <u>(570,764)</u>     | <u>(74,800)</u>  | -           | <u>(645,564)</u>    |
| Total Accumulated Depreciation  | <u>(3,967,697)</u>   | <u>(216,152)</u> | -           | <u>(4,183,849)</u>  |
| Total Capital Assets Being Depreciated, Net of Accumulated Depreciation | <u>3,372,304</u>     | <u>(113,929)</u> | -           | <u>3,258,375</u>    |
| Government Activity Capital Assets, Net                                 | <u>\$ 4,687,404</u>  | <u>(113,929)</u> | -           | <u>\$ 4,573,475</u> |
| Business-Type Activities:   |                      |                  |             |                     |
| Capital Assets Being Depreciated:                                       |                      |                  |             |                     |
| Equipment   | 228,723              | -                | -           | 228,723             |
| Less: Accumulated Depreciation  | <u>(228,723)</u>     | -                | -           | <u>(228,723)</u>    |
| Enterprise Fund Capital Assets, Net                                     | <u>\$ -</u>          | <u>\$ -</u>      | -           | <u>\$ -</u>         |

Depreciation expense was charged to governmental functions as follows:

|                            |                          |
|----------------------------|--------------------------|
| Operations and maintenance | \$ <u>216,152</u>        |
| Total depreciation expense | \$ <u><u>216,152</u></u> |

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**9. Non-current Liabilities**

During the fiscal year ended June 30, 2019 the following changes occurred in the non-current liabilities:

|                              | Balance<br><u>July 01, 2018</u> | Increase/<br><u>(Decrease)</u> | Balance<br><u>June 30, 2019</u> | Due within<br><u>one year</u> |
|------------------------------|---------------------------------|--------------------------------|---------------------------------|-------------------------------|
| Bonds payable                | \$ 1,070,000                    | (130,000)                      | 940,000                         | \$ 130,000                    |
| Community Development Loan   | 434,153                         | (434,153)                      | -                               | -                             |
| Capital leases               | 103,739                         | (44,140)                       | 59,599                          | 37,599                        |
| Compensated absences payable | 575,476                         | (174,440)                      | 401,036                         | -                             |
| Pension liability - PERS     | <u>2,674,812</u>                | <u>(273,595)</u>               | <u>2,401,217</u>                | -                             |
|                              | <u>\$ 4,858,180</u>             | <u>(1,056,328)</u>             | <u>3,801,852</u>                | <u>\$ 167,599</u>             |

For governmental activities, the bonds payable are liquidated from the School District's debt service fund. Capital leases compensated absences payable, and pension liability - PERS are liquidated by the general fund.

**a. Bonds Payable**

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

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

| Year ended<br>June 30 | Principal         | Interest          | Total               |
|-----------------------|-------------------|-------------------|---------------------|
| 2020                  | \$ 130,000        | \$ 33,050         | \$ 163,050          |
| 2021                  | 130,000           | 29,150            | 159,150             |
| 2022                  | 135,000           | 24,500            | 159,500             |
| 2023                  | 135,000           | 19,100            | 154,100             |
| 2024                  | 135,000           | 13,700            | 148,700             |
| 2025-2026             | <u>275,000</u>    | <u>11,100</u>     | <u>286,100</u>      |
|                       | <u>\$ 940,000</u> | <u>\$ 130,600</u> | <u>\$ 1,070,600</u> |

The bonds, issued in October 2016 for \$1,120,000, were used for the alterations and renovations of the Maple Place and Wolf Hill schools.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

9. Non-current Liabilities (cont'd)

b. Bonds Authorized But Not Issued

As of June 30, 2019, the District had no authorized but not issued bonds.

c. Capital Leases:

The District is leasing equipment under various capital leases. The following is a schedule of the remaining future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2019:

|                                     |                  |
|-------------------------------------|------------------|
| Year ended June 30,                 |                  |
| 2020                                | \$ 39,456        |
| 2021                                | 22,550           |
| 2021                                | -                |
| Total minimum lease payments        | <u>62,006</u>    |
| Less: amounts representing interest | <u>(2,407)</u>   |
| Present value of lease payments     | <u>\$ 59,599</u> |

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

10. FEMA Community Disaster Loan (CDL)

The school district applied for and received a CDL in response to the devastating effects on the property tax ratable base of the municipality due to Superstorm Sandy in October 2012. The district was approved for \$876,989 total loan and chose to withdraw \$434,153 as a reduction of the tax levy assessed for the 2013-2014 school year. The amount of principal and interest accrued through June 30, 2018 was \$434,153. The school district applied for and received cancellation from FEMA for the CDL loan in its entirety on July 23, 2018. The liability has been removed and the cancellation of debt income was recorded for the entire amount due of \$434,153.

11. Pension Plans

A. Public Employees' Retirement System (PERS)

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

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

The following represents the membership tiers for PERS:

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

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

**Contributions** - The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

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

**Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources** - At June 30, 2019, the School District reported a liability of \$2,401,217 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedure to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The School District's proportion measured as of June 30, 2018, was .0121954172%, which was an increase of .0008208734% from its proportion measured as of June 30, 2017.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

For the year ended June 30, 2019, the School District recognized full accrual pension expense of \$283,930 in the government-wide financial statements consisting of employer contributions of \$121,305 and non-employer contributions of \$162,625. This pension expense was based on the pension plans June 30, 2018 measurement date. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|   | Deferred<br>Outflows of<br><u>Resources</u> | Deferred<br>Inflows of<br><u>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 45,792                                   | \$ 12,381                                  |
| Changes of assumptions  | 395,681                                     | 767,781                                    |
| Net difference between projected and actual earnings on pension plan investments                              | -   | 22,524                                     |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 280,864                                     | 191,555                                    |
| District contributions subsequent to the measurement date   | <u>121,541</u>                              | <u>-</u>                                   |
| Total   | <u>\$ 843,878</u>                           | <u>\$ 994,241</u>                          |

\$121,541 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2018-2019 total salaries for PERS employees multiplied by an employer contribution rate. The payable is due on April 1, 2020 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |                     |
|---------------------|---------------------|
| 2019                | \$ 12,545           |
| 2020                | (17,369)            |
| 2021                | (124,549)           |
| 2022                | (107,961)           |
| 2023                | (34,570)            |
| Thereafter          | -                   |
| Total               | <u>\$ (271,904)</u> |

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between Expected and<br>Actual Experience                                  |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2014  | -   | -  |
| June 30, 2015  | 5.72  | -  |
| June 30, 2016  | 5.57  | -  |
| June 30, 2017  | 5.48  | -  |
| June 30, 2018  | -   | 5.63   |
| Changes of Assumptions   |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2014  | 6.44  | -  |
| June 30, 2015  | 5.72  | -  |
| June 30, 2016  | 5.57  | -  |
| June 30, 2017  | -   | 5.48   |
| June 30, 2018  | -   | 5.63   |
| Net Difference between projected and<br>Actual Earnings on Pension Plan<br>Investments |   |  |
| year of Pension Plan Deferral:   |   |  |
| June 30, 2014  | 5.00  | 5.00   |
| June 30, 2015  | 5.00  | 5.00   |
| June 30, 2016  | 5.00  | 5.00   |
| June 30, 2017  | 5.00  | 5.00   |
| June 30, 2018  | 5.00  | 5.00   |

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2018, 2017, 2016, 2015 and 2014 amounts, respectively.



Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

**Actuarial Assumptions** - The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions:

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

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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 ranged of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on 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. State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**A. Public Employees' Retirement System (PERS) (cont'd)**

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018 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%<br>Decrease<br>(4.66%) | Current<br>Discount Rate<br>(5.66%) | 1%<br>Increase<br>(6.66%) |
|---|---------------------------|-------------------------------------|---------------------------|
| District's proportionate share of the net pension liability | 3,019,254                 | 2,401,217                           | 1,882,724                 |

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2019 and 2018:

|   | <u>6/30/19</u>  | <u>6/30/18</u> |
|---|-----------------|----------------|
| Collective Deferred Outflows of Resources | (2,961,883,924) | 723,829,861    |
| Collective Deferred Inflows of Resources  | -               | -              |
| Collective Net Pension Liability          | 19,689,501,539  | 23,278,401,588 |
| School District's Portion                 | .0121954172%    | .0113745438%   |

**B. Teachers' Pension and Annuity (TPAF)**

**Plan Description** - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit plan with a special-funding situation, by which a State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

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

Oceanport School District  
Notes to Financial Statements  
For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

The following represents the membership tiers for TPAF:

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

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

**Contributions** - The contribution policy for TPAF is set by *N.J.S.A. 18A:66* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

**Pension Liability and Pension Expense** - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2018 was \$28,929,104. The School District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2018, the State proportionate share of the TPAF net pension liability attributable to the School District was .0454732493000%, which was an increase of .0004249650% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the State of New Jersey recognized a pension expense in the amount of \$895,276 for the State's proportionate share of the TPAF pension expense attributable to the School District. This pension expense was based on the pension plans June 30, 2018 measurement date.

**Actuarial Assumptions** - The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

**Long-term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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 ranged 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, 2018 are summarized in the following table:

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

11. Pension Plans (cont'd)

**B. Teachers' Pension and Annuity (TPAF) (cont'd)**

**Discount Rate** - The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on 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. State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018 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%<br>Decrease<br>(3.86%) | Current<br>Discount Rate<br>(4.86%) | 1%<br>Increase<br>(5.86%) |
|--|---------------------------|-------------------------------------|---------------------------|
| State's proportionate share of the net pension liability | 34,294,967                | 28,929,104                          | 24,637,708                |

**Pension Plan Fiduciary Net Position** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**12. Post-Retirement Benefits**

**General Information about the OPEB Plan**

**Plan description and benefits provided**

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

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

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

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

**Employees covered by benefit terms**

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

|   |                       |
|---|-----------------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 145,050               |
| Active plan members   | <u>217,131</u>        |
| Total   | <u><u>362,181</u></u> |



Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

12. Post-Retirement Benefits (cont'd)

**Total Nonemployer OPEB Liability**

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified returned PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>).

**Actuarial assumptions and other imputes**

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

|  |  |
|--|--|
| Inflation Rate                           | 2.5%   |
| Salary Increases through 2026            | PERS 2.15%-4.15%<br>PFRS 2.1%-8.98%<br>TPAF 1.55%-4.55%  |
| Salary Increases after 2026              | PERS 3.15%-5.15%<br>PFRS 3.1%-9.98%<br>TPAF 2.0%-5.45%   |
| Discount Rate                            | 3.58%  |
| Healthcare Cost Trend Rates              | 4.5%-5.9%  |
| Retirees' Share of Benefit Related Costs | 1.5% of projected health insurance premiums for retirees |

Preretirement mortality rates were based on the RP-2014 Headcount-weighted Healthy Employee Male/Female Mortality Table with Fully Generational Mortality Improvement projections from the central year using Scale MP-2017. Postretirement mortality rates were based on the RP-2014 Headcount-weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. The disabled mortality was based on the RP-2014 Headcount-weighted Male/Female mortality table with fully generational improvement projects from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for PERS-June 30, 2014; TPAF-June 30, 2015 and PFRS-June 30, 2013.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

12. Post-Retirement Benefits (cont'd)

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

|   |                          |
|---|--------------------------|
| Balance at June 30, 2017                            | \$ 53,639,841,858        |
| Changes for the year:                               |                          |
| Service cost  | 1,984,642,729            |
| Interest on the total OPEB liability                | 1,970,236,232            |
| Differences between expected and actual experiences | (5,002,065,740)          |
| Changes in assumptions                              | (5,291,448,855)          |
| Gross benefit payments by the state                 | (1,232,987,247)          |
| Contributions from members                          | <u>42,614,005</u>        |
| Net changes   | <u>(7,529,008,876)</u>   |
| Balance at June 30, 2018                            | <u>\$ 46,110,832,982</u> |

**Discount rate**

The discount rate was 3.58% percent in 2017 and 3.87% percent in 2018. This represents the municipal bond rate chosen by the State of New Jersey Division of Pension and Benefits. 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.

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

The following presents the June 30, 2018 total OPEB liability of the State for school board retirees, as well as the State's total OPEB liability for the school district calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|   | 1%<br>Decrease<br>(2.87%) | Current<br>Discount Rate<br>(3.87%) | 1%<br>Increase<br>(4.87%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Total OPEB Liability of the State for School Retirees                                     | \$54,512,391,175          | \$46,110,832,982                    | \$39,432,461,816          |
| Total OPEB Liability of the State Associated with the School District for School Retirees | \$31,101,941              | \$26,308,447                        | \$22,498,116              |

**Health Care Trend Assumptions**

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount is 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long term rate after eight years.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

12. Post-Retirement Benefits (cont'd)

Health Care Trend Assumptions (cont'd)

For prescription drug benefits, the initial trend rate is 8.0% and decreases to 5.0% long term rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**Sensitivity of the total OPEB liability to changes in the health care cost trend rates**

The following presents the June 30, 2017 total OPEB liability of the State for school board retirees, as well as the State's total OPEB liability for the school district calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|   | 1%<br>Decrease   | Trend Rate       | 1%<br>Increase   |
|---|------------------|------------------|------------------|
| Total OPEB Liability of the State for School Retirees                                     | \$38,113,289,045 | \$46,110,832,982 | \$56,687,981,003 |
| Total OPEB Liability of the State Associated with the School District for School Retirees | \$21,745,463     | \$26,308,447     | \$32,343,168     |

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

For the year ended June 30, 2019, the board of education recognized OPEB expense of \$406,096 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75 and in which there is a special funding situation.

In accordance with GASB 75, the Oceanport School 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. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

12. Post-Retirement Benefits (cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (cont'd)

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                    | \$ -                                 | \$ (4,476,086,167)                  |
| Changes of assumptions  | \$ -                                 | \$(10,335,978,867)                  |
| Contributions made in fiscal year ending 2019 after<br>June 30, 2018 measurement date | -                                    | -                                   |
| Total   | <u>\$ -</u>                          | <u>\$(14,812,065,034)</u>           |

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

| Year ended June 30: |                            |
|---------------------|----------------------------|
| 2019                | \$ (1,825,218,593)         |
| 2020                | (1,825,218,593)            |
| 2021                | (1,825,218,593)            |
| 2022                | (1,825,218,593)            |
| 2023                | (1,825,218,593)            |
| Thereafter          | <u>(5,685,972,069)</u>     |
| Total               | <u>\$ (14,812,065,034)</u> |

13. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards.

District employees are granted varying amounts of sick leave in accordance with the districts personnel policy. District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Upon separation the District shall pay the employee for unused sick leave in accordance with the Districts' agreements with the various employees. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

The liability for vested compensated absences of the governmental fund types is recorded on the District-wide financials. The current portion of the compensated absences balance is shown separately from the long-term liability balance of compensated absences. The liability for vested compensated absences of the proprietary fund type is recorded within those funds as the benefits accrue to employees.

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**14. Deferred Compensation**

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

Prudential

**15. Risk Management**

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

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

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 trust fund for the current and prior years:

| District Financial Year | Employee Contributions | Interest | Amount Reimbursed | Ending Balance |
|-------------------------|------------------------|----------|-------------------|----------------|
| 2018-2019               | \$ 27,459              | \$ 2,126 | \$ (13,087)       | \$ 150,231     |
| 2017-2018               | -                      | 1,571    | (12,486)          | 133,733        |
| 2016-2017               | -                      | 640      | (1,804)           | 144,348        |

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**16. Interfund Receivables and Payables**

The following interfund balances remained on the balance sheet at June 30, 2019:

|                       | Interfund<br>Receivable | Interfund<br>Payable |
|-----------------------|-------------------------|----------------------|
| General Fund          | \$ 92,024               | \$ 45,711            |
| Special Revenue Fund  | -                       | -                    |
| Capital Projects Fund | -                       | 92,024               |
| Debt Service Fund     | -                       | -                    |
| Enterprise Fund       | 4,026                   | -                    |
| Trust and Agency Fund | 41,685                  | -                    |
|                       | <u>\$ 137,735</u>       | <u>\$ 137,735</u>    |

The Capital Projects Fund owes the General Fund for cash advances during the fiscal year.

The General Fund owes the Enterprise Fund for cash collected but not transferred by year end.

The General Fund owes the Agency Fund for timing differences in cash transfers.

**17. Inventory**

Inventory in the Food Service Fund at June 30, 2019 consisted of the following:

|          |               |
|----------|---------------|
| Food     | \$ 439        |
| Supplies | <u>528</u>    |
|          | <u>\$ 967</u> |

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) 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.

**18. Contingent Liabilities**

Grant Programs

The school district participates in federal awards and state financial assistance grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

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

Oceanport School District

Notes to Financial Statements

For the Year Ended June 30, 2019

**19. Fund Balances**

General Fund - Of the \$1,383,574 General Fund balance at June 30, 2019, \$- of encumbrances is assigned to other purposes, \$41 is restricted for capital reserve, \$442,459 is restricted for maintenance reserve, \$117,880 is restricted for the emergency reserve, \$350,948 is restricted for excess surplus for subsequent year expenditures, \$- has been classified as assigned fund balance designated for subsequent year expenditures, \$220,076 is restricted for excess surplus and \$252,170 is unassigned.

**20. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2019 is \$220,076. The excess fund balance at June 30, 2018 was \$350,948.

**21. Uncertain Tax Positions**

The school district had no unrecognized tax benefits at June 30, 2019. The school district files tax returns in the U.S. federal jurisdiction and various states. The school district has no open year prior to June 30, 2016.

**22. Subsequent Events**

Management has evaluated subsequent events through November 12, 2019, the date the financial statements were available to be issued.

**23. Tax Abatement**

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.

**23. Economic Dependency**

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

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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

July 15, 2020

The Board of Education of the  
Borough of Oceanport  
Oceanport, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$33,154,000 aggregate principal amount of School Bonds, Series 2020 (the “Bonds”) of The Board of Education of the Borough of Oceanport 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 October 16, 2019 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 10, 2019 and (iii) a resolution adopted by the Board on May 27, 2020 (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 July 15, 2021 and semi-annually thereafter on the fifteenth day of January and July in each year until maturity or prior redemption, and shall mature on July 15 in 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        | \$ 749,000              | 2.500%               | 2037        | \$1,175,000             | 2.500%               |
| 2023        | 775,000                 | 2.500                | 2038        | 1,210,000               | 2.500                |
| 2024        | 795,000                 | 2.500                | 2039        | 1,250,000               | 2.500                |
| 2025        | 820,000                 | 2.500                | 2040        | 1,285,000               | 2.500                |
| 2026        | 845,000                 | 2.500                | 2041        | 1,325,000               | 2.500                |
| 2027        | 870,000                 | 2.500                | 2042        | 1,365,000               | 2.500                |
| 2028        | 900,000                 | 2.500                | 2043        | 1,405,000               | 2.500                |
| 2029        | 925,000                 | 2.500                | 2044        | 1,450,000               | 2.500                |
| 2030        | 955,000                 | 2.500                | 2045        | 1,450,000               | 2.500                |
| 2031        | 980,000                 | 2.500                | 2046        | 1,450,000               | 2.625                |
| 2032        | 1,010,000               | 2.500                | 2047        | 1,450,000               | 2.625                |
| 2033        | 1,045,000               | 2.500                | 2048        | 1,450,000               | 2.625                |
| 2034        | 1,075,000               | 2.500                | 2049        | 1,450,000               | 2.625                |
| 2035        | 1,105,000               | 2.500                | 2050        | 1,450,000               | 2.625                |
| 2036        | 1,140,000               | 2.500                |             |                         |                      |

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"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the

Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of initial issuance and delivery of the Bonds. The Board has covenanted in its tax certificate relating to the Bonds 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 statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code and aforementioned covenants in its tax certificate, 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 are 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 July 15 in the years 2022 through 2043, 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.

We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on July 15 in the year 2045 and in the years 2047 through 2050, inclusive (collectively, 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 July 15, 2020 (the “Disclosure Certificate”), is executed and delivered by The Board of Education of the Borough of Oceanport 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 \$33,154,000 aggregate principal amount of School Bonds, Series 2020 dated their date of delivery (the “Bonds”). The Bonds are being issued by virtue of a proposal adopted by the Board on October 16, 2019 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 10, 2019 and pursuant to a resolution entitled, “RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$33,154,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2020 OF THE BOARD OF EDUCATION OF THE BOROUGH OF OCEANPORT IN THE COUNTY OF MONMOUTH, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH”, duly adopted by the Board on May 27, 2020 (the “Bond Resolution”). The Board covenants and agrees as follows:

**SECTION 1.** Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an “Obligated Person” under the Rule (as defined below).

**SECTION 2.** Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

“*Continuing Disclosure Information*” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

“*Disclosure Representative*” shall mean the Business Administrator/Board Secretary of the Board or his/her designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“*Dissemination Agent*” shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

“*EMMA*” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org).

“*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, 2020 (for the fiscal year ending June 30, 2020), 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, 2021), 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 July 1, 2020, 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)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

**SECTION 6.** Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

**SECTION 7.** 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  
Borough of Oceanport  
29 Wolfhill Avenue  
Oceanport, New Jersey 07757  
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  
Borough of Oceanport  
29 Wolfhill Avenue  
Oceanport, New Jersey 07757  
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  
BOROUGH OF OCEANPORT**

By: \_\_\_\_\_  
**VALERY PETRONE,**  
**Business Administrator/**  
**Board Secretary**



**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the Borough of Oceanport  
in the County of Monmouth, New Jersey

Name of Issue: \$33,154,000 School Bonds, Series 2020  
Dated: July 15, 2020  
(CUSIP Number: 675311CS1)

Date of Issuance: July 15, 2020

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 July 15, 2020, executed by the Board.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the Board)

cc: The Board

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**APPENDIX E**

**Specimen Municipal Bond Insurance Policy**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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