

**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 2, 2015**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel to the Board (as defined herein), pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") interest on the Bonds (as defined herein) is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. It is also the opinion of Bond Counsel that interest on the Bonds held by corporate taxpayers is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. In addition, in the opinion of Bond Counsel, interest on and any gain from the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. Bond Counsel's opinions described herein are given in reliance on representations, certifications of fact, and statements of reasonable expectation made by the Board in its Tax Certificate (as defined herein), assuming continuing compliance by the Board with certain covenants set forth in its Tax Certificate and are based on existing statutes, regulations, administrative pronouncements and judicial decisions. See "TAX MATTERS" herein.*

**THE BOARD OF EDUCATION OF THE  
CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
IN THE COUNTY OF GLOUCESTER, NEW JERSEY  
\$1,995,000 SCHOOL BONDS  
(Book-Entry-Only) (Bank-Qualified) (Non-Callable)**

Dated: Date of Delivery

Due: February 1, as shown below

The \$1,995,000 School Bonds (the "Bonds") of The Board of Education of the Clearview Regional High School District in the County of Gloucester, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "Book-Entry-Only System" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing on August 1, 2016. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall not be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS- Redemption" herein.

The Bonds are valid and legally binding obligations of the Board and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIPS</u>
2017	\$150,000			
2018	165,000			
2019	175,000			
2020	185,000			
2021	200,000			
2022	200,000			
2023	210,000			
2024	220,000			
2025	240,000			
2026	250,000			

*The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about January 6, 2016.*

**ELECTRONIC SUBMISSIONS FOR THE SCHOOL BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON DECEMBER 9, 2015. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.PROSPECTUSHUB.COM**

**THE BOARD OF EDUCATION OF  
CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
IN THE COUNTY OF GLOUCESTER, NEW JERSEY**

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**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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

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**OFFICIAL STATEMENT  
OF  
THE BOARD OF EDUCATION OF THE  
CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
IN THE COUNTY OF GLOUCESTER, NEW JERSEY**

**\$1,995,000  
SCHOOL BONDS  
(BOOK-ENTRY-ONLY ISSUE)  
(BANK-QUALIFIED) (NON-CALLABLE)**

**INTRODUCTION**

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of Clearview Regional High School District in the County of Gloucester, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$1,995,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

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

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

**DESCRIPTION OF THE BONDS**

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

**Terms and Interest Payment Dates**

The Bonds shall be dated the date of delivery and shall mature on February 1 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the first day of February and August, commencing on August 1, 2016 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

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

### **Redemption**

The Bonds of this issue are not subject to optional redemption prior to their stated maturities.

### **Security for the Bonds**

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount.

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

All school bonds are secured by the School Bond Reserve established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). Amendments to the Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account

and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the 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 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. On September 11, 2014 Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, downgraded the School Bond Reserve rating from "A+" (stable) to "A" (stable). On June 10, 2015, Moody's Investors Service, Inc. downgraded the School Bond Reserve rating from "Aa3" (stable) to "A2" (negative).

### **AUTHORIZATION AND PURPOSE**

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on August 27, 2015 and approved by a majority of the legal voters present and voting at the school district election held on November 3, 2015 and by a resolution duly adopted by the Board on November 19, 2015 (the "Resolution").

The purpose of the referendum is to provide funds (a) to undertake various improvements and/or renovations at the High School, Middle School and Administration Building; and (b) to acquire the necessary equipment as well as undertake any associated site work. The total cost of the project is \$1,995,000. The Board will fund the project primarily with \$1,995,000 funded through the issuance of the Bonds. The Board also expects to receive 44.53% debt service aid on the eligible costs of the project.

### **BOOK-ENTRY-ONLY SYSTEM<sup>1</sup>**

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York

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<sup>1</sup> Source: The Depository Trust Company

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

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

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

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

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

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



Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

#### **Discontinuance of Book-Entry-Only System**

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

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

The Board is a nine (9) member board with members elected in accordance with the provisions of statute governing Type II school districts. Three members are elected each year, for three years. Pursuant to State statute, the Board appoints a Superintendent and School Business Administrator/Board Secretary who are responsible for budgeting, planning, and other operational functions of the School District.

The School District is a Type II school district and provides a full range of educational services appropriate to grade seven (7) through grade twelve (12). The School District serves the Township of Mantua and the Township of Harrison, in the County of Gloucester (the "Constituent Municipalities"). The Board of Education provides education to its students through the Clearview Regional High School and the Clearview Regional Middle School.

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

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

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

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

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, approved April 3, 2007 (A4), the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate school districts through the establishment or enlargement of Regional High School Districts, subject to voter approval.

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

### **Categories of School Districts**

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

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

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters, or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and vote upon all fiscal matters. Regional High School Districts may be “All Purpose Regional High School Districts” or “Limited Purpose Regional High 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 district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

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

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

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

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

The New Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) 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 15% of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four years.

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

### **Spending Growth Limitation**

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

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

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

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

### **Budgets and Appropriations**

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

### **Tax and Spending Limitations**

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

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

amended and revised by Chapter 62 of the Laws of New Jersey of 1991, and further amended by Chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 *et seq.*, P.L. 1996, c. 138 (“CEIFA”) (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

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

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

The previous legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment. The new law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations has been eliminated under Chapter 44.

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.

## **Issuance of Debt**

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years; (ii) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education

resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board (and approved by a board of school estimate in a Type I school district); and (v) there must be filed with the State by each municipality comprising a school district a supplemental debt statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

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

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public school accountant must complete the annual audit no later than five months (5) after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

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

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third 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 may not capitalize interest on temporary notes, but must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

### **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 grade seven (7) through grade twelve (12) school district, the board can borrow up to 3% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 3% debt limit. See "APPENDIX A – Debt Limit of the Board."

### **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.

### **Capital Lease Financing**

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see "Energy Savings Obligations")

below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended (“EFCFA”) repealed the authorization to enter into facilities leases for a term in excess of five years. The payment of rent is treated as a current expense and within the school district’s Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district’s Spending Growth Limitation and tax levy cap.

### **Energy Saving Obligations**

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

### **Promissory Notes for Cash Flow Purposes**

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

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

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

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

Since that time there has been much litigation and many cases affecting the State’s responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years aid was simply determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain 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 current plan for school aid is a "constitutionally adequate scheme".

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

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the Education Facilities Construction and Financing Act of 2001. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2014 and has proposed the same reduction for 2015. 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 year 2011, 2012, 2013 and 2014 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

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

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. § 6301 et seq., is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such federal aid is generally received in the form of block grants.

Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

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

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Constituent Municipalities are general full faith and credit obligations.



The authorized bonded indebtedness of the Constituent Municipalities for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Constituent Municipalities have not exceeded their statutory debt limit for the year ended December 31, 2014.

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

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

The Constituent Municipalities may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. The Constituent Municipalities, which operate on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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

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

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

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

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

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to

3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

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

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

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

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

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

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

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

## **Tax Appeals**

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

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

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

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

## **FINANCIAL STATEMENTS**

The financial statements of the Board for the fiscal year ended June 30, 2014 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Holman Frenia Allison P.C., Medford, New Jersey, an independent auditor, as stated in the reports appearing in Appendix B to this Official Statement. See "APPENDIX B – Clearview Regional High School District Financial Statements".

## **LITIGATION**

To the knowledge of the Board Attorney, Frank P. Cavallo, Jr. of Parker McCay P.A., Mount Laurel, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter of the Bonds at the closing.

## **TAX MATTERS**

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code), provides that interest on the Bonds is not included in gross income for federal income tax purposes if various requirements set forth in the Code are met. The Board has covenanted in its Arbitrate and Tax Certificate (the "Tax Certificate"), delivered in connection with the issuance of the Bonds, to comply with these continuing requirements and has made certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds to assure this exclusion. Pursuant to

Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the opinion of McManimon, Scotland & Baumann, LLC (“Bond Counsel”), pursuant to Section 103(a) of Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Bonds held by corporate taxpayers is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel’s opinions described herein are given in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Board in its Tax Certificate, assume continuing compliance by the Board with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

### **Certain Federal Tax Consequences Relating to the Bonds**

Although, pursuant to Section 103(a) of the Code, interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

### **Bank Qualification**

The Bonds will be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

### **New Jersey Gross Income Tax**

In the opinion of Bond Counsel, the interest on the Bonds and any gain realized on the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act.

### **Future Events**

Tax legislation, administrative action taken by tax authorities and court decisions, whether at the federal or State level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions and even proposals for change could adversely affect the market price or marketability of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY CHANGES IN THE STATUTES, PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR PROPOSALS FOR CHANGE ON THE TAX AND MARKET IMPLICATIONS OF OWNERSHIP OF THE BONDS.

### **MUNICIPAL BANKRUPTCY**

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 *et seq.*, as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

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

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

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters will be passed on 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 the Business Administrator/Board Secretary.

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

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

## **RATINGS**

The School District has applied for a rating from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency"). The School District expects to receive a rating in advance of the sale.

The ratings reflect only the view of the Rating Agency and an explanation of the significance of such ratings may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such ratings, may have an adverse effect on the marketability or market price of the Bonds.

## **FINANCIAL ADVISOR**

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

## **SECONDARY MARKET DISCLOSURE**

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

(a) On or prior to February 1 of each year, beginning February 1, 2016, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board of Education consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board of Education and certain financial information and operating data consisting of (1) Board of Education and overlapping indebtedness including a schedule of outstanding debt issued by the Board of Education; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the 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 security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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



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

The Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) annual adopted budget for fiscal years ended June 30, 2012, 2011 and 2010 and (ii) certain operating data and annual financial information for fiscal year ended June 30, 2010. Additionally, the Board acknowledges that it previously failed to file material event notices and late filing notices in connection with (i) its timely filings of annual financial information and (ii) certain rating changes. Such notices of material events and late filings have been filed with EMMA as of the date of this Official Statement. The Board has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Esther R. Pennell, CPA, Business Administrator/Board Secretary, at 420 Cedar Road, Mullica Hill, NJ 08062, (856) 478-0409, or to the Financial Advisor, Phoenix Advisors, LLC, at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

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

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one of its authorized officials to the effect that he 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 of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

**THE BOARD OF EDUCATION OF THE CLEARVIEW REGIONAL  
HIGH SCHOOL DISTRICT IN THE COUNTY OF GLOUCESTER,  
NEW JERSEY**

By: \_\_\_\_\_  
**Esther R. Pennell, CPA, Business Administrator/Board Secretary**

Date: December \_\_, 2015

**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE  
CONTITUENT MUNICIPALITIES AND THE  
CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

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

### Type

The School District is a Type II school district that is coterminous with the borders of the Township of Harrison and Township of Mantua (the “Board”). The School District provides a full range of educational services appropriate to seven (7) through the twelfth (12) grades.

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 and the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

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

### Description of Facilities

The Board presently operates the following school facilities:

<u>Facility</u>	<u>Construction Date</u>	<u>Addition/ Renovation</u>	<u>Grade Level</u>	<u>Student Enrollment (As of 6/30/15)</u>
Middle School	1968	2003	7 - 8	864
High School	1960	1996-2003	9 -12	1,627

Source: Comprehensive Annual Financial Report of the School District

*[Remainder of Page Intentionally Left Blank]*

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

## **Staff**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Teaching Professionals	197	187	188	189	192
Support Staff	<u>137</u>	<u>143</u>	<u>141</u>	<u>137</u>	<u>155</u>
Total Full & Part Time Employees	<u>334</u>	<u>329</u>	<u>329</u>	<u>326</u>	<u>347</u>

Source: Comprehensive Annual Financial Report of the School District

## **Pupil Enrollments**

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

<b>Pupil Enrollments</b>	
<u>School Year</u>	<u>Enrollment</u>
2014-2015	2,491
2013-2014	2,516
2012-2013	2,489
2011-2012	2,498
2010-2011	2,501

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 2015-16 Budget**

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if the school has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under the New Cap Law (P.L. 2010, c. 44). If the Board proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The 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 2015-2016 fiscal year is \$35,992,937. The major sources of revenue are \$17,802,181 from the local tax levy and \$15,147,270 from state aid.

Source: Annual User-Friendly Budget of the School District

### **Budget History**

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

<b><u>Budget Year</u></b>	<b><u>Amount Raised in Taxes</u></b>	<b><u>Budget Amount</u></b>	<b><u>Election Result</u></b>
2015-2016	\$17,802,181	\$35,992,937	N/A
2014-2015	17,261,493	34,532,297	N/A
2013-2014	16,577,579	33,358,226	N/A
2012-2013	15,750,227	33,381,325	N/A
2011-2012	15,441,399	30,806,617	Approved

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

### **Financial Operations**

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2010 through June 30, 2014 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$17,261,493	\$16,577,579	\$15,750,227	\$15,441,399	\$15,289,560
Other Local Revenue	<u>723,269</u>	<u>574,583</u>	<u>487,401</u>	<u>538,221</u>	<u>1,002,660</u>
Total revenues-local sources	17,984,762	17,152,162	16,237,628	15,979,620	16,292,220
State Sources					
Federal Sources	<u>14,769</u>	<u>541</u>	<u>1,270</u>	<u>508,751</u>	<u>0</u>
Total Revenues	\$36,141,744	\$34,880,444	\$34,062,283	\$32,916,184	\$31,928,528
<b>EXPENDITURES</b>					
General Fund:					
Instruction	\$14,024,280	\$13,528,007	\$13,410,805	\$13,097,914	\$12,843,764
Undistributed Expenditures	20,874,968	20,633,447	19,938,113	18,187,347	16,797,273
Capital Outlay	<u>720,388</u>	<u>382,915</u>	<u>432,949</u>	<u>134,137</u>	<u>505,107</u>
Total Expenditures	\$35,619,636	\$34,544,369	\$33,781,867	\$31,419,398	\$30,146,144
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	522,108	336,075	280,416	1,496,786	1,782,384
Other Financing Sources (Uses):					
Transfers to Capital Projects	0	0	0	0	(882,614)
Transfers to Food Service	0	0	0	0	(160)
Transfers to Unemployment Compensation	0	0	0	0	0
Transfers in	0	0	64,280	217,539	0
Transfers out	<u>0</u>	<u>0</u>	<u>(1,025,000)</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	0	0	(960,720)	217,539	(882,774)
Net Change in Fund Balance	522,108	336,075	(680,304)	1,714,325	899,610
Fund Balance, July 1	<u>4,336,295</u>	<u>4,000,220</u>	<u>4,680,524</u>	<u>2,966,199</u>	<u>2,066,589</u>
Fund Balance, June 30	<u>\$4,858,403</u>	<u>\$4,336,295</u>	<u>\$4,000,220</u>	<u>\$4,680,524</u>	<u>\$2,966,199</u>

\*Unaudited

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, 2015, the Board has no capital leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

**Operating Leases**

As of June 30, 2015, the Board has operating leases outstanding with payments due through year ending June 30, 2019, totaling \$303,220.

Source: Comprehensive Annual Financial Report of the School District

## **Short Term Debt**

As of June 30, 2015, 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, 2015.

<b><u>Fiscal Year Ending</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	1,940,000	711,459	2,651,459
2017	1,990,000	648,209	2,638,209
2018	2,030,000	574,496	2,604,496
2019	2,160,000	483,934	2,643,934
2020	2,265,000	387,734	2,652,734
2021	2,395,000	295,659	2,690,659
2022	2,510,000	189,621	2,699,621
2023	2,515,000	91,365	2,606,365
2024	100,000	8,628	108,628
2025	<u>103,000</u>	<u>4,378</u>	<u>107,378</u>
<b>TOTALS</b>	<b><u>\$18,008,000</u></b>	<b><u>\$3,395,481</u></b>	<b><u>\$21,403,481</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 3.5% of the average equalized valuation for the past three years. (See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to Debt Limitation"). The following is a summation of the Board's debt limitations as of June 30, 2015:

Average Equalized Real Property Valuation (2012, 2013, and 2014)	\$2,762,328,077
<b>School District Debt Analysis</b>	
Permitted Debt Limitation (3.5% of AEVP)	\$96,681,483
Less: Bonds and Notes Authorized and Outstanding	<u>18,008,000</u>
Remaining Limitation of Indebtedness	\$78,673,483
Percentage of Net School Debt to Average Equalized Valuation	0.65%

Source: Comprehensive Annual Financial Report of the School District

## **INFORMATION REGARDING THE TOWNSHIP OF HARRISON<sup>2</sup>**

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

### **General Information**

The Township was incorporated in 1844 as Spicer Township; however, the name was changed to Harrison Township in 1845. The Township is located in the southeastern corner of County, approximately 15 miles south of the City of Philadelphia. The Township is bordered by the municipalities of East Greenwich Township, Mantua Township, the Borough of Glassboro, Elk Township, South Harrison Township and Woolwich Township.

The Township is primarily a residential community, having experienced significant increased housing construction since the late 1980’s.

### **Form of Government**

The Township operates under a Township Committee form of government as defined under N.J.S.A. 40A:63-1. The voters elect five members who, at the reorganization meeting, appoint a member to serve as Mayor. The Mayor is the chief executive officer of the Township.

Responsibilities for various departments are divided among the members of the governing body. The governing body is responsible, among other things, for passing ordinances, adopting the budget and appointing officials. While the members adopt policy, the Township Administrator is charged with the responsibility of carrying-out the policies and for overseeing the day-to-day operations. The financial affairs of the Township are administered by the Chief Financial Officer, who reports to the Township Committee.

### **Retirement Systems**

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

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<sup>2</sup> Source: The Township, unless otherwise indicated.



### **Pension Information**<sup>3</sup>

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2014, which is based upon the annual billings received from the State, amounted to \$167,194 for PERS and \$316,405 for PFRS.

### **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township</u></b>				
2014	6,552	6,185	367	5.6%
2013	6,586	6,162	423	6.4%
2012	5,309	4,878	431	8.1%
2011	5,284	4,866	418	7.9%
2010	5,317	4,878	439	8.3%
<b><u>County</u></b>				
2014	148,835	138,254	10,581	7.1%
2013	155,615	142,350	13,265	8.5%
2012	157,425	142,106	15,319	9.7%
2011	157,199	141,868	15,331	9.8%
2010	158,617	142,524	16,093	10.1%
<b><u>State</u></b>				
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%

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

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<sup>3</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

**Income (as of 2010)**

	<u>Harrison</u>	<u>County</u>	<u>State</u>
Median Household Income	\$116,349	\$74,830	\$71,180
Median Family Income	125,530	87,786	86,779
Per Capita Income	40,530	32,067	35,768

Source: US Bureau of the Census 2010

**Population**

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

<u>Year</u>	<u>Harrison</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>
2010	12,417	41.29%	288,288	13.20%	8,791,894	4.49%
2000	8,788	86.38	254,673	10.69	8,414,350	8.85
1990	4,715	31.52	230,082	15.09	7,730,188	4.96
1980	3,585	34.72	199,917	15.77	7,365,001	2.75
1970	2,661	10.41	172,681	28.06	7,168,164	18.15

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

**Largest Taxpayers**

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

<u>Taxpayers</u>	<u>2015 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
AEW SCT Mullica Hill, LLC	\$14,000,000	1.01%
Madison/Canuso c/o Lisa Tsui	8,170,000	0.59%
Mullica West LTD	6,224,000	0.45%
Mantec Associates	5,884,000	0.42%
Storage Quest, NJ LP	4,575,000	0.33%
Beazer Homes Corp	4,222,800	0.30%
Inspira Medical Centers	4,200,000	0.30%
Woodland Four, LLC	4,017,600	0.29%
Inspira Medical Center Woodbury, Inc.	3,969,600	0.29%
Mullica Hill Commons, LLC	<u>3,200,000</u>	<u>0.23%</u>
<b>Total</b>	<b><u>\$58,463,000</u></b>	<b><u>4.21%</u></b>

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

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2014U	\$38,802,008	\$38,206,004	98.46%
2013	37,345,536	36,805,143	98.55%
2012	35,614,967	35,014,258	98.31%
2011	34,611,903	33,963,459	98.13%
2010	34,618,805	34,060,644	98.39%

U=Unaudited  
Source: Annual Audit Reports of the Township

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2014U	\$181,546	\$508,068	\$689,614	1.78%
2013	184,469	495,522	679,991	1.82%
2012	177,121	522,586	699,707	1.96%
2011	327,470	460,059	787,529	2.28%
2010	301,699	441,660	743,359	2.15%

U=Unaudited  
Source: Annual Audit Reports of the Township

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Amount</u>
2014U	\$0
2013	0
2012	0
2011	0
2010	0
2009	0

U=Unaudited  
Source: Annual Audit Reports of the Township

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

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

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Municipal Open Space</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>County</u></b>	<b><u>Fire District</u></b>	<b><u>Total Taxes</u></b>
2015	\$0.444	\$0.060	\$0.893	\$0.696	\$0.730	\$0.082	\$2.905
2014	0.411	0.06	0.878	0.679	0.676	0.083	2.787
2013	0.365	0.06	0.877	0.668	0.661	0.097	2.728
2012	0.347	0.06	0.859	0.644	0.627	0.097	2.634
2011	0.287	0.06	0.86	0.646	0.629	0.098	2.580

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

## **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2015	\$1,389,700,900	\$1,459,923,206	95.19%	\$2,969,606	\$1,462,892,812
2014	1,366,979,400	1,417,734,287	96.42	2,975,643	1,420,709,930
2013	1,346,561,900	1,371,663,339	98.17	3,369,388	1,375,032,727
2012	1,336,285,500	1,362,722,313	98.06	3,724,475	1,366,446,788
2011	1,322,427,200	1,397,619,108	94.62	3,683,324	1,401,302,432

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

## **Classification of Ratables**

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

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2015	\$24,430,700	\$1,229,510,600	\$32,415,100	\$95,725,500	\$321,700	\$7,297,300	\$1,389,700,900
2014	25,368,500	1,208,175,300	33,941,800	92,196,500	0	7,297,300	1,366,979,400
2013	25,357,800	1,187,245,000	33,986,200	92,675,600	0	7,297,300	1,346,561,900
2012	28,662,100	1,175,818,900	34,625,400	89,881,800	0	7,297,300	1,336,285,500
2011	32,150,900	1,162,559,600	35,600,000	84,819,400	0	7,297,300	1,322,427,200

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

## **Financial Operations**

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

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Fund Balance	\$2,825,000	\$3,060,511	\$2,595,917	\$530,000	\$2,054,400
Miscellaneous Revenues	1,645,272	1,525,995	1,365,487	3,238,182	1,195,698
Receipts from Delinquent Taxes	435,000	475,500	400,000	400,000	450,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>3,816,352</u>	<u>4,657,233</u>	<u>4,935,751</u>	<u>5,639,357</u>	<u>6,192,489</u>
Total Revenue:	<u>\$8,721,624</u>	<u>\$9,719,239</u>	<u>\$9,297,155</u>	<u>\$9,807,539</u>	<u>\$9,892,587</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$6,097,928	\$5,781,890	\$6,174,894	\$6,279,537	\$6,351,566
Operations	303,886	624,840	615,132	559,821	619,474
Deferred Charges and Statutory Expenditures	123,000	123,000	50,158	50,000	50,000
Judgments	0	0	0	0	0
Capital Improvement Fund	25,000	692,905	148,000	374,520	40,000
Municipal Debt Service	1,297,010	1,673,000	1,443,138	1,607,743	1,818,675
Reserve for Uncollected Taxes	<u>874,800</u>	<u>823,605</u>	<u>865,832</u>	<u>935,918</u>	<u>1,012,872</u>
Total Appropriations:	<u>\$8,721,624</u>	<u>\$9,719,239</u>	<u>\$9,297,155</u>	<u>\$9,807,539</u>	<u>\$9,892,587</u>

Source: Annual Adopted Budgets of the Township

## **Fund Balance**

### **Current Fund**

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

<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2014U	\$3,236,026	\$2,054,400
2013	1,971,291	531,000
2012	3,019,155	2,595,917
2011	3,775,563	3,060,511
2010	3,406,934	2,825,000

U=Unaudited

Source: Annual Audit Reports of the Township

Sewer Utility Operating Fund

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

<b><u>Fund Balance - Sewer Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b>
	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2014U	\$1,528,001	N/A
2013	1,248,117	377,315
2012	847,610	321,154
2011	362,404	102,495
2010	473,048	141,500

U=Unadited  
Source: Annual Audit Reports of the Township

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**Township Indebtedness as of December 31, 2014**

<b>General Purpose Debt</b>	
Serial Bonds	\$25,596,000
Bond Anticipation Notes	5,086,643
Bonds and Notes Authorized but Not Issued	6,552,100
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$37,234,743
<b>Local School District Debt</b>	
Serial Bonds	\$7,010,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$7,010,000
<b>Regional School District Debt</b>	
Serial Bonds	\$9,503,748
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$9,503,748
<b>Self-Liquidating Debt</b>	
Serial Bonds	\$5,839,000
Bond Anticipation Notes	3,810,532
Bonds and Notes Authorized but Not Issued	173,496
Other Bonds, Notes and Loans	<u>3,238,269</u>
Total:	\$13,061,297
<b>TOTAL GROSS DEBT</b>	<b><u>\$66,809,788</u></b>
Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	7,010,000
Regional School District Debt	9,503,748
Self-Liquidating Debt	<u>13,061,297</u>
Total:	\$29,575,045
<b>TOTAL NET DEBT</b>	<b><u>\$37,234,743</u></b>

Source: Annual Debt Statement of the Township

*[Remainder of Page Intentionally Left Blank]*

**Overlapping Debt (as of December 31, 2014)<sup>4</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Debt Outstanding</u></b>	<b><u>Percentage</u></b>	<b><u>Share</u></b>
Local School District	\$7,010,000	100.00%	\$7,010,000
Regional School District	18,968,000	50.00%	9,503,748
County	249,340,889	5.59%	<u>13,926,327</u>
Net Indirect Debt			\$30,440,075
Net Direct Debt			<u>37,234,743</u>
Total Net Direct and Indirect Debt			<b><u>\$67,674,818</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2012, 2013, 2014)	\$1,384,039,980
Permitted Debt Limitation (3 1/2%)	48,441,399
Less: Net Debt	<u>37,234,743</u>
Remaining Borrowing Power	<u>\$11,206,656</u>
Percentage of Net Debt to Average Equalized Valuation	2.69%
Gross Debt Per Capita based on 2010 population of 12,417	\$5,381
Net Debt Per Capita based on 2010 population of 12,417	\$2,999

Source: Annual Debt Statement of the Township

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<sup>4</sup> Township percentage of County debt is based on the Township's share of total equalized valuation in the County



## **INFORMATION REGARDING THE TOWNSHIP OF MANTUA<sup>5</sup>**

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

### **General Information**

The Township occupies 16.3 square miles in the central part of the County. The Township was a part of Greenwich Township until 1853. The Township is bounded by the Townships of East Greenwich and West Deptford to the north, the Townships of Deptford and Washington and the Borough of Wenonah to the east, the Borough of Pitman to the south, and Harrison Township to the west.

### **Form of Government**

A five (5) member Township Committee is elected on a partisan basis for staggered three (3) year terms. A Mayor is elected each year by the Township Committee. The Township Committee appoints a Township Clerk for a term of three years.

### **Retirement Systems**

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

### **Pension Information<sup>6</sup>**

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2015, which is based upon the annual billings received from the State, amounted to \$226,714 for PERS and \$500,278 for PFRS.

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<sup>5</sup> Source: The Township, unless otherwise indicated.

<sup>6</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township</u></b>				
2014				
2013	8,149	7,594	554	6.8%
2012	8,222	7,581	640	7.8%
2011	8,039	7,443	596	7.4%
2010	8,470	7,911	559	6.6%
<b><u>County</u></b>				
2014	148,835	138,254	10,581	7.1%
2013	155,615	142,350	13,265	8.5%
2012	157,425	142,106	15,319	9.7%
2011	157,199	141,868	15,331	9.8%
2010	158,617	142,524	16,093	10.1%
<b><u>State</u></b>				
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%

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 2010)**

	<b><u>Mantua</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$74,665	\$74,830	\$71,180
Median Family Income	86,767	87,786	86,779
Per Capita Income	34,174	32,067	35,768

Source: US Bureau of the Census 2010

**Population**

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

<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2010	15,217	7.03%	288,288	13.20%	8,791,894	4.49%
2000	14,217	41.13	254,673	10.69	8,414,350	8.85
1990	10,074	9.58	230,082	15.09	7,730,188	4.96
1980	9,193	-4.67	199,917	15.77	7,365,001	2.75
1970	9,643	20.67	172,681	28.06	7,168,164	18.15

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

**Largest Taxpayers**

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

<u>Taxpayers</u>	<u>2015 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Target Corporation	\$14,676,900	1.10%
Lowes Home Center, Inc.	14,623,700	1.10%
Home Depot, U.S.A. Inc.	10,197,000	0.77%
Kohl's Department Store	9,200,000	0.69%
Route 553 Retail, LLC	6,713,900	0.50%
Wilkins Industrial Park	6,646,900	0.50%
Timberline Plaza	6,388,200	0.48%
Belina Dev & Brooklawn Out Lot LLC	6,260,300	0.47%
Spirit Master Funding	6,033,600	0.45%
Frezza LLC	4,922,500	0.37%
<b>Total</b>	<b><u>\$85,663,000</u></b>	<b><u>6.44%</u></b>

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

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2014	\$41,658,109	\$40,666,398	97.62%
2013	40,470,265	39,607,427	97.87%
2012	40,022,546	38,888,535	97.17%
2011	37,255,553	36,334,816	97.53%
2010	38,715,108	37,815,984	97.68%

Source: Annual Audit Reports of the Township

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2014	\$228,054	\$803,354	\$1,031,408	2.48%
2013	326,171	806,262	1,132,433	2.80%
2012	186,993	1,084,058	1,271,051	3.18%
2011	152,678	885,478	1,038,156	2.79%
2010	128,466	881,487	1,009,953	2.61%

Source: Annual Audit Reports of the Township

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Amount</u>
2014	\$2,107,400
2013	2,107,400
2012	2,107,400
2011	2,107,400
2010	2,107,400

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total Taxes</u>
2015	\$0.660	\$0.043	\$0.992	\$0.770	\$0.681	\$3.146
2014	0.616	0.020	0.973	0.753	0.681	3.043
2013	0.596	0.020	0.959	0.722	0.668	2.965
2012R	0.571	0.020	0.978	0.680	0.641	2.890
2011	0.920	0.020	1.471	1.160	1.146	4.717

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

## Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2015	\$1,327,965,800	\$1,353,134,094	98.14%	\$2,514,259	\$1,355,648,353
2014	1,332,218,200	1,375,832,077	96.83	2,453,312	1,378,285,389
2013	1,331,982,800	1,365,856,030	97.52	3,112,020	1,368,968,050
2012R	1,349,012,500	1,393,176,185	96.83	3,863,440	1,397,039,625
2011	769,772,400	1,452,400,755	53.00	2,126,051	1,454,526,806

R: Revaluation

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

## Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2015	\$22,212,800	\$1,103,487,500	\$23,932,600	\$164,595,800	\$10,801,900	\$2,935,200	\$1,327,965,800
2014	24,093,800	1,098,246,900	26,845,900	169,010,200	11,086,200	2,935,200	1,332,218,200
2013	22,472,300	1,094,921,600	28,885,100	171,412,300	11,356,300	2,935,200	1,331,982,800
2012R	20,729,200	1,097,392,800	28,406,000	185,562,100	13,942,400	2,980,000	1,349,012,500
2011	12,371,200	650,155,200	15,275,800	84,685,900	5,612,300	1,672,000	769,772,400

R: Revaluation

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

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## **Financial Operations**

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

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Fund Balance	\$1,900,000	\$1,100,000	\$850,000	\$775,000	\$850,000
Miscellaneous Revenues	2,879,639	2,521,521	2,637,754	2,958,112	2,862,716
Receipts from Delinquent Taxes	920,000	826,000	964,000	800,000	830,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>7,102,474</u>	<u>7,730,393</u>	<u>7,969,771</u>	<u>8,231,966</u>	<u>8,515,580</u>
Total Revenue:	<u>\$12,802,113</u>	<u>\$12,177,913</u>	<u>\$12,421,525</u>	<u>\$12,765,078</u>	<u>\$13,058,295</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$9,260,727	\$9,350,357	\$9,567,670	\$9,882,140	\$10,239,089
Operations	332,308	338,172	349,045	334,311	369,370
Deferred Charges and Statutory Expenditures	121,390	34,619	7,000	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	260,900	68,900	6,500	56,500	46,500
Municipal Debt Service	1,421,138	1,388,610	1,386,092	1,360,337	1,299,750
Reserve for Uncollected Taxes	<u>1,405,650</u>	<u>997,256</u>	<u>1,105,218</u>	<u>1,131,790</u>	<u>1,103,587</u>
Total Appropriations:	<u>\$12,802,113</u>	<u>\$12,177,913</u>	<u>\$12,421,525</u>	<u>\$12,765,078</u>	<u>\$13,058,295</u>

Source: Annual Adopted Budgets of the Township

## **Fund Balance**

### **Current Fund**

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

	<b><u>Fund Balance - Current Fund</u></b>	
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2014	\$1,158,520	\$850,000
2013	1,098,144	775,000
2012	938,237	850,000
2011	1,055,833	1,055,833
2010	1,969,580	1,900,000

Source: Annual Audit Reports of the Township

**Township Indebtedness as of December 31, 2014**

<b>General Purpose Debt</b>	
Serial Bonds	\$10,653,000
Bond Anticipation Notes	95,414
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$10,748,414
<b>Local School District Debt</b>	
Serial Bonds	\$5,520,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$5,520,000
<b>Regional School District Debt</b>	
Serial Bonds	\$9,464,252
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$9,464,252
<b>Self-Liquidating Debt</b>	
Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0
<b>TOTAL GROSS DEBT</b>	<b><u>\$25,732,666</u></b>
Less: Statutory Deductions	
General Purpose Debt	\$181,481
Local School District Debt	5,520,000
Regional School District Debt	9,464,252
Self-Liquidating Debt	<u>0</u>
Total:	\$15,165,733
<b>TOTAL NET DEBT</b>	<b><u>\$10,566,933</u></b>

Source: Annual Debt Statement of the Township

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**Overlapping Debt (as of December 31, 2014)<sup>7</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Local School District	\$5,520,000	100.00%	\$5,520,000
Regional School	18,968,000	50.00%	9,464,252
Mantua Township MUA	4,829,825	100.00%	4,829,825
County	249,340,889	5.42%	<u>13,510,466</u>
Net Indirect Debt			\$33,324,543
Net Direct Debt			<u>10,566,933</u>
Total Net Direct and Indirect Debt			<b><u>\$43,891,476</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2012, 2013, 2014)	\$1,378,288,097
Permitted Debt Limitation (3 1/2%)	48,240,083
Less: Net Debt	<u>10,566,933</u>
Remaining Borrowing Power	<u>\$37,673,150</u>
Percentage of Net Debt to Average Equalized Valuation	0.77%
Gross Debt Per Capita based on 2010 population of 15,217	\$1,691
Net Debt Per Capita based on 2010 population of 15,217	\$694

Source: Annual Debt Statement of the Township

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<sup>7</sup> Township percentage of County debt is based on the Township's share of total equalized valuation in the County



**APPENDIX B**

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
FINANCIAL STATEMENTS**

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

Mullica Hill, New Jersey  
County of Gloucester

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**MULLICA HILL, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Prepared by**

**Clearview Regional High School District  
Finance Department**



## OUTLINE OF CAFR - GASB #34

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**INTRODUCTORY SECTION**



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# Clearview Regional High School District

ADMINISTRATION BUILDING  
420 CEDAR ROAD • MULLICA HILL, NJ 08062  
Fax (856) 478-0409

**DIANE CUMMINS**  
ASSISTANT SUPERINTENDENT  
FOR CURRICULUM & INSTRUCTION  
(856) 223-2766

**JOHN HORCHAK III**  
SUPERINTENDENT  
(856) 223-2765

**ESTHER R. PENNELL, CPA**  
BUSINESS ADMINISTRATOR  
(856) 223-2764

October 23, 2014

Honorable President and  
Members of the Board of Education  
Clearview Regional High School District  
Mullica Hill, New Jersey 08062

Dear Board Members and Constituents:

The comprehensive annual financial report of the Clearview Regional High School District for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. 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: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Report of Independent Auditors the Management's Discussion and Analysis, the basic financial statements including the district-wide statements fund statements, notes to the financial statements, required supplementary information other than MD&A including budgetary comparison schedules and other supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Clearview Regional High School District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Single Audit Amendments of 1996, the U.S. Office of Management and Budget Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and the State Treasury Circular Letter 04-04-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

## 1. REPORTING ENTITY AND ITS SERVICES:

The Clearview Regional High School District is an independent reporting entity within the criteria adopted by the G.A.S.B. as established by Statement No. 14. All funds and account groups of the

District are included in this report. The Clearview Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels 7 through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2013/14 fiscal year with an enrollment of 2,516 students. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2013-14	2,516	1.1%
2012-13	2,489	-.3%
2011-12	2,498	-.2%
2010-11	2,501	2.5%
2009-10	2,441	-.5%
2008-09	2,454	2.3%
2007-08	2,399	2.9%
2006-07	2,392	4.4%
2005-06	2,291	3.3%
2004-05	2,216	3.2%

2. ECONOMIC CONDITION AND OUTLOOK:

The Clearview Regional High School District has experienced a period of several years of development and expansion which is expected to continue. The economy did slow the housing development beginning in the 2009/10 year which has caused a slight decrease in student enrollment over the next three years.

3. MAJOR INITIATIVES:

Students continued to perform above the state averages (13/14) on the High School Proficiency Assessment (H.S.P.A.) which is administered to all eleventh grade students and must be passed in order to graduate.

	<u>Partially Proficient</u>	<u>Proficient</u>	<u>Advanced Proficient</u>
Language Arts Literacy	2.2%	58.5%	39.3%
Mathematics	11.6%	57.4%	31.0%

Of those Seniors who graduated in June of 2014, 64% went to four year colleges in state, 28%- two year colleges, 1% - vocational or trade schools, 2% - employment, 1% - military and 4% -other.

4. 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 is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (G.A.A.P.). 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 internal control, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. 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 voters of the municipality. 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 canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2014.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (G.A.S.B.). The accounting system of the District is organized on the basis of funds and account groups.

7. DEBT ADMINISTRATION:

At June 30, 2014, the District's outstanding debt issues included \$19,878,000 of general obligation bonds.

On December 1, 1997, the District issued general obligation bonds in the amount of \$10,105,000 to advance refund \$9,255,000 of the 1994 general obligation bonds which had call options. The 1997 refunding bonds were issued with a net bond premium of \$153,805 that was used, in part, to pay issuance costs of \$119,310. As a result of the advance refunding, the District reduced its total debt service requirements by \$399,191, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$295,453.

Bonds were issued on February 15, 2003. The proceeds were placed in the District's capital projects fund to provide funds for capital improvements to the District's buildings and grounds. The improvements included the construction of additions and renovations to the Clearview Regional High School and the Clearview Regional Middle School, and to make the necessary onsite and offsite improvements and purchase of the necessary furniture and equipment associated with the construction and renovations in these facilities. The total amount of the bond is \$23,867,000.

On December 10, 2009 the District issued bonds totaling \$1,303,000 for installation of solar photovoltaic panels on the Middle School Roof. The State of New Jersey will fund 50.92% of the project costs as the bonds come due annually with debt service aid.

On November 10, 2010, the District issued general obligation bonds in the amount of \$18,745,000 to advance refund \$18,967,000 of the 2003 general obligation bonds which had call options. The 2010 refunding bonds were issued with a net bond premium of \$1,584,606 that was used, in part, to pay issuance costs of \$75,000. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,163,814, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$987,246.

8. CASH MANAGEMENT:

The investment policy of the District is guided in large part by the state statute as detailed in "Notes to the Financial Statements", Note 2. The District has opted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("G.U.D.P.A."). G.U.D.P.A. 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.

9. 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.

10. OTHER INFORMATION:


Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allsion, P.C. was selected by the Board. 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 1984 and the Single Audit Act Amendments of 1996, and the related OMB Circular No. A-133 and New Jersey State Treasury Circular Letter 04-04. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS:

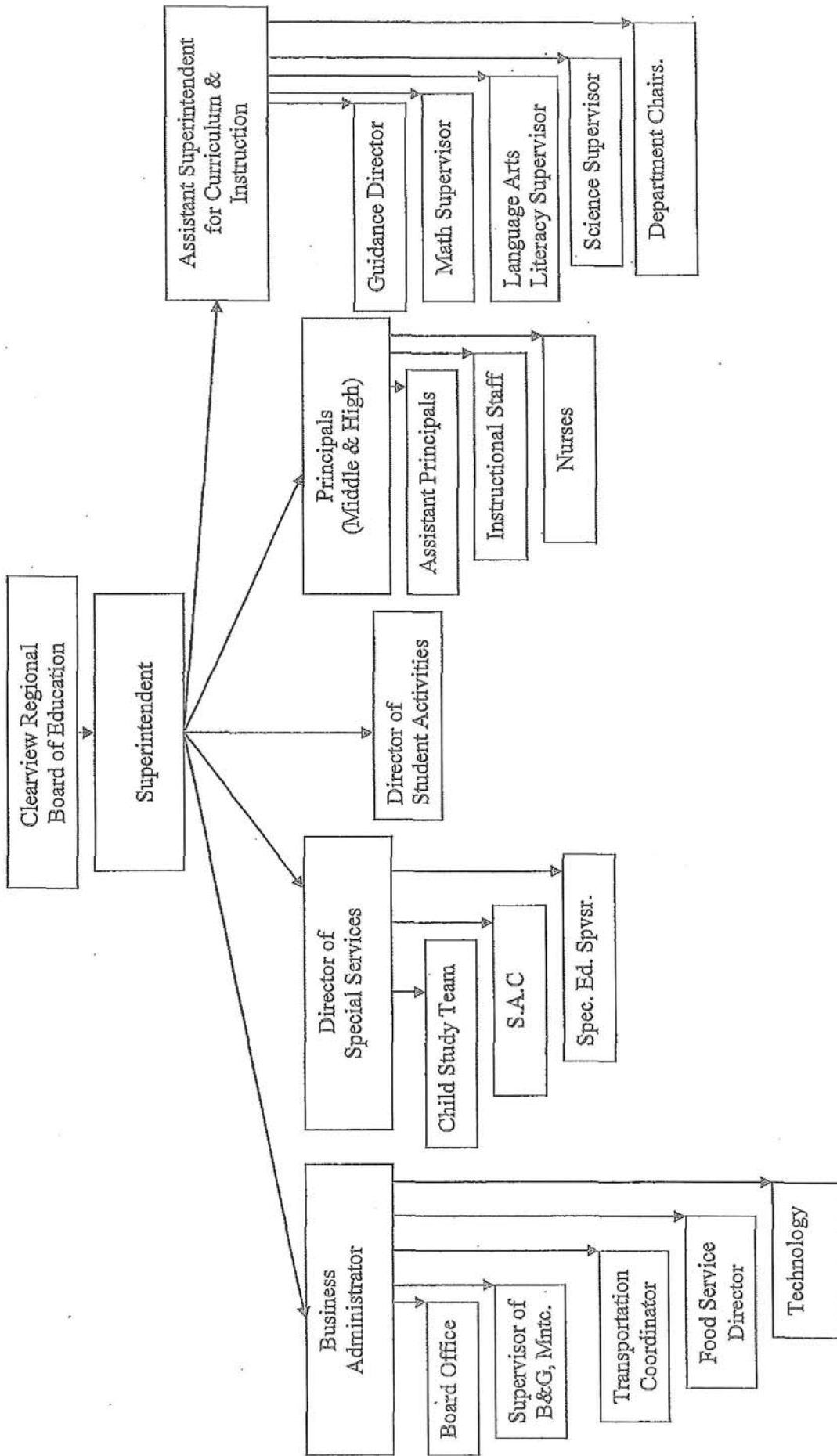
We would like to express our appreciation to the members of the Clearview Regional High School Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully Submitted,

  
\_\_\_\_\_  
John Horchak III  
Superintendent

  
\_\_\_\_\_  
Esther R. Pennell, CPA  
Business Administrator

Organizational Chart



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**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**420 Cedar Road  
Mullica Hill, New Jersey 08062**

**ROSTER OF OFFICIALS**

**June 30, 2014**

**MEMBERS OF THE BOARD OF EDUCATION**

**TERM EXPIRES**

Patrick Campbell, President	2015
Michele Giaquinto	2014
Donald Coughlan	2014
Debbie Lundberg	2015
Ron Moore	2016
Vincent Caltaldi, Jr.	2015
Karen Vick	2016
Timothy VanNoy	2014
Paul Ware	2016

**OTHER OFFICIALS**

John Horechak, III, Superintendent

Esther R. Pennell, CPA, School Business Administrator

Frank P. Cavallo, Jr., Esquire, Solicitor



**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
MULLICA HILL, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Michael Holt, CPA, PSA  
Holman Frenia Allison, P.C.  
618 Stokes Road  
Medford, New Jersey 08055

**ATTORNEY**

Parker McCay  
9000 Midlantic Drive, Suite 300  
P.O. Box 5054  
Mount Laurel, New Jersey 08054-1539

**OFFICIAL DEPOSITORY**

Century Savings Bank  
100 N. Main Street  
Mullica Hill, New Jersey 08062

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Clearview Regional High School District  
County of Gloucester  
Mullica Hill, New Jersey 08062

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Clearview Regional High School District, County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clearview Regional High School District, County of Gloucester, State of New Jersey, as of June 30, 2014, 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.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2014 the District adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014 on our consideration of the Clearview Regional High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clearview Regional High School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read "Michael Holt". The signature is stylized with a large, sweeping "M" and "H".

Michael Holt  
Certified Public Accountant  
Public School Accountant  
No. 1148

Medford, New Jersey  
October 23, 2014

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**



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**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**  
**Mullica Hill, New Jersey**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDED JUNE 30, 2014**

**UNAUDITED**

The District’s management discussion and analysis of financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2014. The intent of the discussion and analysis is to look at the District’s financial performance as a whole. Interested parties should review the basic financial statements and notes in connection with this document in order to enhance and clarify their understanding of the finances of the District.

The Management’s Discussion and Analysis (MD&A) is an element of the Required Supplementary Information specified in the Governmental Accounting Standards Board’s (G.A.S.B.) Statement No. 34 – Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments issued in June 1999. Comparative information between the current year (2013-2014) and the prior year (2012-2013) is required to be present in the MD&A.

**Financial Areas of Interest for 2013/2014**

- **Overview**

During the budget preparation process, Clearview was notified that it would receive a \$183,322 increase in general fund state aid a (\$88,256) decrease in debt service state aid. The State only funded 85% of its promised Debt Service Aid, type 2. In addition, the State charged Clearview a \$217,620 SDA Assessment Charge. This assessment represents 15% of the State’s principle and interest cost coming due on facility grants that were awarded to Clearview in prior years. Once again the reduction in State Aid caused significant shortages in various 2013/2014 budget appropriation line items. A large increase in the cost of health benefits caused an increase in the District’s general fund tax levy. The district was forced to use banked cap in the amount of \$163,361 and an adjustment in the tax levy for health care expenses in the amount of \$348,986. The general fund levy was increased by a total amount of \$827,352 and caused a 2 cent increase in taxes in the Harrison community and a 4 cent increase in taxes in the Mantua community. In recent prior years, the lack of state aid created a financial crisis in many school districts across the State of New Jersey, including Clearview. This caused communities, especially growing ones like ours, to increase local property taxes to meet the needs of the District. The number of students attending Clearview Regional over the past seven years increased by approximately 124, which is a 5% increase in the student population.

<u>School Year</u>	<u>Students</u>
2006/2007	2392
2007/2008	2399
2008/2009	2454
2009/2010	2441
2010/2011	2501
2011/2012	2498
2012/2013	2489
2013/2014	2516

### **Delay in State Aid Payments**

The Commissioner of Education again announced that the last two State aid payments for 2013/14 in the amount of \$1,370,735 would be delayed until July 2014. This measure along with S1701 (reduction of surplus to 2%) has resulted in severe cash flow issues for all New Jersey School Districts.

### **Staffing**

The need for additional staff continues to have a substantial impact on the District budget. The District is committed to meeting the staffing needs in order to accommodate the growing student population.

### **Special Education**

The costs for the out-of-district placements continued to rise. The District incurred costs of \$2,217,304 for tuition. This does not include the cost for the transportation related to these students. The District continues to closely monitor these costs as they represent a substantial portion of the budget.

### **Vocational School Tuition**

The district incurred costs of \$266,908 for tuition to the County Vocational School. Prior to the 2010/11 school year, the County Vocational School did not charge local districts tuition. This is a new expenditure that is paid for with the local tax levy. These students are not reported on our rolls so we do not receive any State Aid for them.

### **Transportation**

The District's growth in student population continues to impact the transportation department. Additional drivers, buses, activity routes, and outside contracted routes resulted in considerable expenditure increases. The increase in staff time required to perform the tasks of transporting approximately 2,516 students is significant and costly. The Transportation Department expenditures for operations and salaries were approximately \$1,682,403 which is \$28,895 more than 2012/13. The District continues to provide transportation services to the Mantua Township School District. This adds another 1,650 students to the daily responsibilities of the Transportation Department. We continue to realize cost efficiencies in this area by maximizing fleet utilization.

### **Facility Projects**

#### **Middle School Special Needs Toilettroom:**

In May 2014, the District awarded a contract to Parks & Billak General Contractors in the amount of \$52,211 for the construction of a new special needs toilet room in the Middle School. The project is funded with funds which are available in the capital reserve for that purpose. This project was completed August 2014.

- **State Aid**

While State Aid has been approximately level for seven fiscal years (2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08), due to the School Funding Reform Act of 2008, the district received an increase in State Aid for 2008-09 and 2009-10. For 2009/10 this 5% increase totaled \$624,684. While the District was originally awarded a 5% increase in State Aid when developing its budget for 2009/10, we were notified on February 11, 2010 that \$1,498,592 would be withheld from 2009/10 state aid payments in the amount of surplus and reserve account monies available to the District. The District opted to reduce 2009/10 appropriations by \$961,819 to offset this reduction. The remaining \$536,773 came from the reserves.

The 2010/11 State Aid to the District was reduced by \$1,839,530 causing the entire budget to be reduced by \$2,000,939.

For 2012/13 the District received a net increase in State Aid of \$692,518.

For 2013/14 the District received a net increase in State Aid of \$103,549.

- **Tax Rate and Base**

The final budget resulted in a tax increase of 2.34 cents per hundred of assessed value for Harrison Township residents and increased 4.17 cents per hundred of assessed value for Mantua Township residents.

Mantua Township's ratable base decreased by (\$17,781,120) for 2013. The increase in the ratable base in Harrison Township was \$9,921,313 (.74%). The municipal tax is shared between the towns with Mantua's absorbing 51.66% while Harrison's is 48.34% during the 2013-14 school year.

- **Surplus**

The District has again infused a considerable amount of surplus into the budget. In 2012-13, \$1,451,409 was anticipated as Budgeted Fund Balance. In comparison, the District anticipated \$1,453,336 in Budgeted Fund Balance in 2013-14.

The District was able to make substantial "deposits" into surplus in 2013-14. There was a total of \$1,528,615 from unspent appropriations and excess of actual revenues to budget of \$441,032 (these figures exclude non-budgeted TPAF pension and Social Security contributions). Of these amounts, \$340,000 was deposited into the capital reserve and \$100,000 was deposited into the maintenance reserve. The "deposit" into surplus was a result of savings in several areas including salaries, supplies, special education tuition, maintenance of school facilities, health benefits, and miscellaneous revenue.

### **Using this Comprehensive Annual Financial Report (C.A.F.R.)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Clearview Regional 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 whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for

future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. The General Fund is by far the most significant fund.

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

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

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole, looks at all of the financial transactions and asks the question, "How did we do financially during 2013-2014?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses.

These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District and whether it has improved or diminished. The causes of this change may be the result of many factors, some financial and some non-financial. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- Governmental activities – All of the School District's programs and services are reported here including 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 expenses of the goods or services provided. The Food Service and School Store enterprise funds are reported as business activities.

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

### **Fund Financial Statements**

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

### **Governmental Funds**

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

The relationship (or differences) 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 funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 59 – 80 of this Report.

### The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Net position may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net position for FY 2014 compared to FY2013.

**Table 1**  
Clearview Regional High School District's Net Position

	2014		2013		Total 2014	Total 2013
	Governmental	Business- Type	Governmental	Business- Type		
Assets						
Current and Other Assets	4,628,093	380,401	7,028,193	390,895	5,008,494	7,419,088
Capital Assets	45,137,587	4,467	46,845,966	4,475	45,142,054	46,850,441
<b>Total Assets</b>	<b>49,765,680</b>	<b>384,868</b>	<b>53,874,159</b>	<b>395,370</b>	<b>50,150,548</b>	<b>54,269,529</b>
Deferred Outflow of Resources						
Deferred Charges of Refunding Debt	823,027	-	-	-	823,027	-
<b>Total Deferred Outflow of Resources</b>	<b>823,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>823,027</b>	<b>-</b>
<b>Total Deferred Outflow of Resources and Assets</b>	<b>50,588,707</b>	<b>384,868</b>	<b>53,874,159</b>	<b>395,370</b>	<b>50,973,575</b>	<b>54,269,529</b>
Liabilities						
Current Liabilities	2,457,203	24,447	2,980,612	52,065	2,481,650	3,032,677
Noncurrent Liabilities	19,945,341	68,391	22,909,699	67,203	20,013,732	22,976,902
<b>Total Liabilities</b>	<b>22,402,544</b>	<b>92,838</b>	<b>25,890,311</b>	<b>119,268</b>	<b>22,495,382</b>	<b>26,009,579</b>
Net Position						
Net Investment in Capital Assets	25,259,587	4,467	25,182,966	4,475	25,264,054	25,187,441
Restricted	4,829,648		4,457,608		4,829,648	4,457,608
Unrestricted	(1,903,072)	287,563	(1,656,726)	271,627	(1,615,509)	(1,385,099)
<b>Total Net Position</b>	<b>28,186,163</b>	<b>292,030</b>	<b>27,983,848</b>	<b>276,102</b>	<b>28,478,193</b>	<b>28,259,950</b>

Table 2 shows changes in net position for fiscal year 2014.

Table 2	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities		Activities			
	2014	2014	2013	2013		
Revenues						
Program Revenues:						
Charges for Services	1,182,320	773,209	1,188,188	764,302	1,955,529	1,952,490
Operating Grants & Contributions	1,327,801	169,415	1,282,961	170,016	1,497,216	1,452,977
General Revenues:						
Property Taxes	18,662,177		17,846,942		18,662,177	17,846,942
Grants and Entitlements	17,685,796		17,786,446		17,685,796	17,786,446
Other	617,069	3,213	527,778	814	620,282	528,592
Total Revenues	39,475,163	945,837	38,632,315	935,132	40,421,000	39,567,447
Program Expenses:						
Instruction	14,069,087		13,906,235		14,069,087	13,906,235
Support Services:						
Tuition	2,546,942		2,276,335		2,546,942	2,276,335
Student & instructional related	2,987,274		2,838,943		2,987,274	2,838,943
School administrative services	1,440,069		1,380,923		1,440,069	1,380,923
General administration	518,845		518,657		518,845	518,657
Central services	380,167		401,679		380,167	401,679
Administrative info technology	337,575		331,690		337,575	331,690
Plant operations & maintenance	2,839,811		2,874,443		2,839,811	2,874,443
Pupil transportation	2,695,591		2,690,554		2,695,591	2,690,554
Employee benefits	8,286,479		8,002,781		8,286,479	8,002,781
Special schools	72,318		66,383		72,318	66,383
Interest and Charges on						
Long-Term Debt	1,071,875		1,048,869		1,071,875	1,048,869
Unallocated depreciation	1,870,974		1,855,719		1,870,974	1,855,719
Food service		865,226		836,903	865,226	836,903
Other business-type activities		64,683		73,359	64,683	73,359
Total expenses	39,117,007	929,909	38,193,211	910,262	40,046,916	39,103,473
Increase (Decrease) in Net Position	358,156	15,928	439,104	24,870	374,084	463,974

## Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 47.28 percent of revenues for governmental activities for the fiscal year 2014. Property tax revenues, increased by, \$815,235, which equates to a 4.57% increase over the prior year Governmental Fund tax revenues. The increase was needed to fund the additional expenditures associated with an increase in enrollment, higher operating costs, and maintenance projects. The District's total governmental revenues were \$39,475,163 including the Capital Projects fund. The revenue breakout for all funds is as follows:

### Revenues for Governmental Funds for Fiscal Year 2014

	<u>Percentage</u>
State aid unrestricted	43.02%
Property taxes	47.28%
State aid restricted	6.36%
Federal aid	1.78%
Miscellaneous (Adult school, interest, other)	1.56%
	<u>100.00%</u>

### Expenses for Governmental Funds for Fiscal Year 2014 compared to 2013

	2014	2013
	<u>Percentage</u>	<u>Percentage</u>
Instruction	35.97%	36.41%
Student support services	14.15%	13.39%
School administration	3.68%	3.62%
General administration	1.33%	1.36%
Central administration	0.97%	1.05%
Administrative info. Technology	0.86%	0.87%
Operations & maintenance	7.26%	7.53%
Transportation	6.87%	7.04%
Employee benefits	21.19%	20.95%
Special schools	0.18%	0.17%
Interest on debt	2.74%	2.75%
Depreciation	4.79%	4.86%
	<u>100.00%</u>	<u>100.00%</u>



## Business-Type Activities

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

Food service, summer camp, the Little Pioneers Preschool Program and school store expenses exceeded revenues by \$15,928. Charges for services represent \$773,209 of revenue. This represents amounts paid by patrons for daily food service, summer camps, the Little Pioneers Preschool Program and school store sales. Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$169,415.

## Governmental Activities

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

**Table 3**

Table 3	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services
	2014	2014	2013	2013
Governmental				
Instruction	14,069,087	13,528,007	13,906,235	13,410,805
Support services:				
Student & instructional staff	5,534,216	5,247,612	5,115,278	4,849,860
School administrative services	1,440,069	1,440,069	1,380,923	1,380,923
General administration	518,845	518,845	518,657	518,657
Central services	380,167	380,167	401,679	401,679
Administrative info. Technology	337,575	337,575	331,690	331,690
Plant operations & maintenance	2,839,811	2,839,811	2,874,443	2,874,443
Pupil transportation	2,695,591	1,682,403	2,690,554	1,644,177
Employee benefits	8,286,479	8,117,347	8,002,781	7,860,970
Special schools	72,318	72,318	66,383	66,383
Interest and Charges on Long-Term				
Debt	1,071,875	571,758	1,048,869	526,756
Depreciation	1,870,974	1,870,974	1,855,719	1,855,719
Total governmental expenses	<u>39,117,007</u>	<u>36,606,886</u>	<u>38,193,211</u>	<u>35,722,062</u>
Business-type				
Food Service	865,226	(1,970)	836,903	(378)
Other business-type activities	64,683	14,685	73,359	(23,678)
Total business-type expenses	<u>929,909</u>	<u>12,715</u>	<u>910,262</u>	<u>-24,056</u>
Total expenses	<u>40,046,916</u>	<u>36,619,601</u>	<u>39,103,473</u>	<u>35,698,006</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. General administration, school administration, and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities 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, as well as to and from school activities, as provided by State law.

Interest and Charges on Long-Term Debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

“Other” includes special schools and unallocated depreciation and amortization.

### The School District’s Funds

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$38,292,843 and expenditures were \$38,036,265. The net change in fund balance for the year was most significant in the General Fund, with an increase of \$336,075. The schedules (see Exhibit B-2) included in the financial section of this Report demonstrate that the District continues to meet its responsibility for sound financial management.

As demonstrated by the various statements and schedules included in the financial section of this Report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to prior year revenues.

**Table 4**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2013</u>	<u>Percent of Increase (Decrease)</u>
Local sources	19,279,246	50.35%	904,526	5.46%
State sources	18,309,621	47.81%	(107,589)	-0.71%
Federal sources	703,976	1.84%	51,779	7.18%
	<u>38,292,843</u>	<u>100.00%</u>	<u>848,716</u>	2.61%

The increase in revenue was due to an increase of tax levy revenue of \$815,235 and a federal aid increase of \$51,779 offset by a decrease of state aid of \$107,589.

The following schedules present a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to prior year expenditures.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2013</u>	<u>Percent of Increase (Decrease)</u>
Current expense:				
Instruction	14,069,087	36.99%	162,852	1.25%
Undistributed	20,847,733	54.81%	710,585	4.27%
Capital Outlay	382,915	1.01%	(943,946)	-151.03%
Special Schools	72,318	0.19%	5,935	6.46%
Debt Service:				
Principal	1,785,000	4.69%	45,000	3.02%
Interest	879,212	2.31%	(74,614)	-5.77%
	<u>38,036,265</u>	<u>100.00%</u>	<u>(94,188)</u>	<u>-0.31%</u>

The largest portion of General Fund expenditures is for salaries and benefits. The District is a service entity and as such is labor intensive. This is typical for a service industry in both the public sector and private industry.

Expenditures are down \$94,188 over the prior year mostly due to decrease in Capital Outlay expenditures.

### **General Fund Budgeting Highlights**

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

Over the course of the year, the District revised the annual operating budget several times. Revisions were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. The major areas are addressed below.

- **Cost Savings Initiated**

The Clearview Regional Board of Education continued to implement cost savings initiatives throughout 2013-14, including but not limited to:

#### **Special Education Alternative Program**

The aforementioned self-contained educationally handicapped component was continued at the alternative high school program. This program reduced the number of students in need of out of District placement by providing the environment and special services needed on campus.

#### **Health Benefits**

The “Opt-out” program allowed the District to realize additional savings in this area. The “Opt-out” program enables employees to receive cash in-lieu-of benefits under the Section 125 Plan.

In May 28, 2009, the Board of Education approved to join the Southern NJ Regional Employee Benefits Fund for provision of health benefits effective August 1, 2009. This resulted in significant savings in the 2009/10 district budget. This joint insurance fund will enable the

District to more accurately and timely budget health benefits costs for the subsequent budget year.

### **Split School Staffing**

Teachers were assigned to deliver instructional services at both schools, thereby negating the need for some additional staff.

### **Tiered Bus Schedules**

There are two bus runs which enabled to utilize the buses twice for pickup and twice for dropoff. Clearview also transports all Mantua Elementary children.

### **Solar System**

In March 2010, the district completed the installation of a new solar photovoltaic system on the Middle School roof. The solar system will provide a financial and educational benefit to the district. In July 2010, the district received a NJ Core Rebate in the amount \$417,170. These funds were deposited into the capital reserve for payment of future debt service for the solar system. In addition, the District will receive State Debt Service Aid each year to offset over 50% of the debt service. Savings on the Middle School electricity will be realized annually. In 2013/14 the District sold Solar Renewable Energy Credits (SREC) and brought additional revenues in the amount of \$47,865 into the District budget.

- **Interest Income**

The District realized \$8,570 in interest income during the 2013-2014 school year. This was a decrease of \$2,579 over the prior year. The decrease is due to the fact that the District has less funds available to invest and declining interest rates.

- **Grants**

The District continues to pursue competitive grants. In 2013-2014, the District took advantage of the Perkins Technology grant in the amount of \$51,115. The Federal award for Perkins Funds decreased by (\$15,743) in 2013/14.

- **Financial Concerns**

The budget will continue to be impacted by the increasing costs in the following areas: special education, workers compensation insurance, property/casualty insurance, medical costs and salaries.

The areas of transportation, maintenance, substitute teachers, home-instruction, athletic and energy all continue to increase as the size of the District increases. These areas are often overlooked when reviewing the true impact of a growing District. The Business Office continues to monitor every line item in an effort to contain costs in every area.

- **Prior Recommendations**

None

## **Statewide Performance Goals**

The District Statewide Performance Goals attainment for the 2013-2014 school year is reported as follows. The High School met Performance Goals in both English Language Arts and Mathematics for our schoolwide population. All applicable subgroup populations' targets were met with the exception of Mathematics for Economically Disadvantaged Students. The High School met all Statewide Participation Rates for our schoolwide and all applicable subgroup populations. The Middle School missed Performance Targets in both English Language Arts and Mathematics for our schoolwide population. The subgroup populations' targets were met in Mathematics for White and Asian students, but missed for Black students, Students with Disabilities, and Economically Disadvantaged Students. The subgroups populations' targets were met in English Language Arts for Black, Asian, and Economically Disadvantaged students, but missed for White students, and Students with Disabilities. The Middle School met all Statewide Participation Rates for our schoolwide and all applicable subgroup populations.

## **High School Report**

The 2013-2014 school year was most successful. Our students continued to excel in many areas including the classroom, athletic fields, concert halls, artist studios, and other co-curricular activities. Developing and supporting the "whole student" with 21<sup>st</sup> Century Skills continues to be our objective.

In the area of academics, there was a great deal of accomplishment. Many of our students excelled in their courses, and the colleges and universities that our seniors were admitted to provided testimony to the quality of our academic programs, our staff, and our student body. As a district we offered 16 Advanced Placement courses and the results of the district's SAT scores continue to be strong.

In the area of athletics and extra-curricular activities, the 2013-14 school year was also very successful. Overall, our athletic teams were very competitive, with several teams qualifying for tournaments and/or winning their division during each season.

## **Athletics & Student Activities**

The Department of Athletics and Student Activities had another successful year in its athletic programs for the 2013-2014 school year. We've continued our ongoing success in the competitive Tri-County Conference. The focus on athletics continues to be augmented by a district-wide approach of incorporating a sportsmanship philosophy in addition to being competitive. We've been recognized in several venues for our ongoing efforts to infuse the sportsmanship mindset in each athletic program and at every level of competition.

The clubs and activities continue to offer award winning programs and experiences for our student body. The Department continues to oversee 45 high school clubs/activities, 11 middle school clubs/activities both with 80 advisors, 26 varsity sports, and 41 sub-varsity sports (inclusive of JV, F, and MS programs) with a total of 92 coaches.

**Middle School**

The Middle School provides excellent academic and extra-curricular programs. Student service clubs such as BE the Change, Student Council and The Ronald McDonald House Club focuses on creating a student-body mindset that our students are often different in various ways, but always equal. This program supplements the ongoing effort to implement Anti-Bullying programs throughout the district. Programs such as Teen Cap and district Guidance programs help cultivate an environment of respect in our school.

We continue to stress reading, math and language arts literacy skills to all of our students, with co-teaching classrooms and several supplemental programs in the areas of English Language Arts and Math that help narrow learning gaps and promote success in the classroom.

Extra-curricular activities continue to be a large part of the Middle School program. This year approximately one hundred and fifty athletes participated in field hockey, girls and boys cross country, girls and boys basketball, wrestling, and girls and boys spring track. Other clubs include choir, jazz band, Art Club, Math Counts, Science Club, Student Council, Be the Change, The Ronald McDonald Club, Chess Club and Yearbook.

**Capital Assets**

At the end of the fiscal year 2014 the School District had \$45,142,054, invested in land, construction in progress, buildings, and machinery and equipment. Table 5: shows fiscal year 2014 and 2013 balances.

**Table 5**

	Governmental Funds		Business-type	
	2014	2013	2014	2013
Land	1,556,708	1,556,708		
Construction in progress				
Site Improvements	1,580,689	1,749,214		
Building and Building Improvements	40,914,239	42,391,894		
Machinery and Equipment	1,085,951	1,148,150	4,467	4,475
	<u>45,137,587</u>	<u>46,845,966</u>	<u>4,467</u>	<u>4,475</u>

**Debt Administration**

At June 30, 2014, the School District had \$22,024,327 of outstanding debt. Of this amount, \$1,081,378 is for compensated absences, \$1,064,949 is for unamortized bond premiums associated with bond refunding costs and \$19,878,000 of serial bonds for school construction.

**Table 6**

Outstanding Debt at June 30	
	2014
1997 General obligation bonds	1,790,000
2010 General obligation bonds	1,003,000
2010 School Refunding Bonds	17,085,000
Total	<u>19,878,000</u>

## **For the Future**

The Clearview Regional High School District is currently in sound financial condition. The District appreciates the support of our communities and understands the financial pressure placed on the taxpayers as taxes continue to rise. We will continue to become more effective and efficient as we continue to balance the needs of the students with the resources of the community. We will continue to be a community center and will offer facilities and services that will be a source of pride for our communities. The explosive building growth continues to concern the Board and Administration. We are being proactive with facilities, financial resources and personnel in an effort to stay ahead of the building growth curve.

- **Capital Projects**

The District is committed to appropriating funds in order to keep our facilities up to date and safe for our students and staff. Preventive maintenance will continue to be our insurance policy that will ensure that we continue to have quality facilities to offer our public.

In July 2014, the District awarded a contract to Allied Equipment Company, Inc. in the amount of \$82,022 for the renovation of the High School LGI. Brand new furniture along with 96 laptops has been installed. This will provide an area for PARCC testing. The project is funded with funds which are available in the reserves for that purpose. This project is almost complete.

- **NCLB Implications**

The District is currently monitoring the No Child Left Behind, Federal legislation to ensure compliance with all of these new regulations.

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

This financial report is designed to provide the taxpayers, bondholders, creditors and other interested parties with a general overview of the District's finances and to show the District's accountability for the resources it receives. If you have questions about this report or need additional information, please contact Mr. John Horchak III, Superintendent or Esther R. Pennell, Business Administrator at the address below or visit our web site at [www.clearviewregional.edu](http://www.clearviewregional.edu).

Clearview Regional Board of Education  
Administration Building  
420 Cedar Road  
Mullica Hill, NJ 08062  
856-223-2764

**BASIC FINANCIAL STATEMENTS**



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## A. District-Wide Financial Statements

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**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

ASSETS			<u>TOTALS</u>
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	JUNE 30, 2014
Cash & Cash Equivalents	\$ 2,203,616	\$ 348,416	\$ 2,552,032
Receivables, Net	921,262	9,773	931,035
Internal Balances	16,897	-	16,897
Inventory	-	22,212	22,212
Restricted Cash & Cash Equivalents	1,486,318	-	1,486,318
Capital Assets, Non-Depreciable (Note 5)	1,556,708	-	1,556,708
Capital Assets, Depreciable, Net (Note 5)	43,580,879	4,467	43,585,346
<b>Total Assets</b>	<b>49,765,680</b>	<b>384,868</b>	<b>50,150,548</b>
<b>DEFERED OUTFLOW OF RESOURCES</b>			
Deferred Charges of Refunding of Debt	823,027	-	823,027
<b>Total Deferred Outflow of Resources</b>	<b>823,027</b>	<b>-</b>	<b>823,027</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>50,588,707</b>	<b>384,868</b>	<b>50,973,575</b>
<b>LIABILITIES</b>			
Accounts Payable	112,275	13,604	125,879
Accrued Interest Payable	315,121	-	315,121
Internal Balances	-	4,275	4,275
Payable to State Government	16,467	-	16,467
Deferred Revenue	2,745	6,568	9,313
Noncurrent Liabilities (Note 6):			
Due Within One Year	2,010,595	-	2,010,595
Due Beyond One Year	19,945,341	68,391	20,013,732
<b>Total Liabilities</b>	<b>22,402,544</b>	<b>92,838</b>	<b>22,495,382</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	25,259,587	4,467	25,264,054
Restricted For:			
Capital Projects	138,421	-	138,421
Other Purposes	4,691,227	-	4,691,227
Unrestricted	(1,903,072)	287,563	(1,615,509)
<b>Total Net Position</b>	<b>\$ 28,186,163</b>	<b>\$ 292,030</b>	<b>\$ 28,478,193</b>

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

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			TOTALS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	JUNE 30, 2014	
Governmental Activities:							
Instruction:							
Regular	\$ 10,415,660	\$ -	\$ -	(10,415,660)	\$ -	\$ (10,415,660)	
Special Education	2,616,839	-	541,080	(2,075,759)	-	(2,075,759)	
Other Instruction	1,036,588	-	-	(1,036,588)	-	(1,036,588)	
Support Services:							
Tuition	2,546,942	-	-	(2,546,942)	-	(2,546,942)	
Student & Instruction Related Services	2,479,145	-	286,604	(2,192,541)	-	(2,192,541)	
Health Services	250,426	-	-	(250,426)	-	(250,426)	
Educational Media Services/School Library	257,703	-	-	(257,703)	-	(257,703)	
School Administrative Services	1,440,069	-	-	(1,440,069)	-	(1,440,069)	
General Administration	518,845	-	-	(518,845)	-	(518,845)	
Central Services	380,167	-	-	(380,167)	-	(380,167)	
Administrative Information Technology	337,575	-	-	(337,575)	-	(337,575)	
Plant Operations & Maintenance	2,839,811	-	-	(2,839,811)	-	(2,839,811)	
Pupil Transportation	2,695,591	1,013,188	-	(1,682,403)	-	(1,682,403)	
Employee Benefits	8,286,479	169,132	-	(8,117,347)	-	(8,117,347)	
Special Schools	72,318	-	-	(72,318)	-	(72,318)	
Interest and Charges on Long-Term Debt	1,071,875	-	500,117	(571,758)	-	(571,758)	
Unallocated Depreciation	1,870,974	-	-	(1,870,974)	-	(1,870,974)	
<b>Total Governmental Activities</b>	<b>39,117,007</b>	<b>1,182,320</b>	<b>1,327,801</b>	<b>(36,606,886)</b>	<b>-</b>	<b>(36,606,886)</b>	

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			TOTALS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	JUNE 30, 2014	
Business-Type Activities:							
Food Service	865,226	693,841	169,415	-	(1,970)	(1,970)	
Other Activities	64,683	79,368	-	-	14,685	14,685	
Total Business-Type Activities	929,909	773,209	169,415	-	12,715	12,715	
Total Primary Government	\$ 40,046,916	\$ 1,955,529	\$ 1,497,216	(36,606,886)	12,715	(36,594,171)	
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				16,577,579	-	16,577,579	
Taxes Levied for Debt Service				2,084,598	-	2,084,598	
Federal & State Aid Not Restricted				17,685,796	-	17,685,796	
Tuition Charges				367,146	-	367,146	
Investment Earnings				11,635	513	12,148	
Miscellaneous Income				238,288	-	238,288	
Capital Asset Adjustment				-	2,700	2,700	
Total General Revenues, Special Items, Extraordinary Items & Transfers				36,965,042	3,213	36,968,255	
Change In Net Position				358,156	15,928	374,084	
Net Position - Beginning (Restated)				27,828,007	276,102	28,104,109	
Net Position - Ending				\$ 28,186,163	\$ 292,030	\$ 28,478,193	

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

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## B. Fund Financial Statements



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## Governmental Funds

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**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS	
					(MEMORANDUM ONLY)	
					JUNE 30, 2014	JUNE 30, 2013
Cash & Cash Equivalents	\$ 2,474,500	\$ -	\$ 138,431	\$	2 \$ 2,612,933	\$ 4,626,100
Receivables from Other Governments	449,087	262,394	-	-	- 711,481	439,382
Other Accounts Receivable		319	-	-	- 319	79,062
Interfund Accounts Receivable	16,907	-	-	-	- 16,907	258,905
Restricted Cash & Cash Equivalents	1,486,318	-	-	-	- 1,486,318	1,661,134
<b>Total Assets</b>	<b>\$ 4,426,812</b>	<b>\$ 262,713</b>	<b>\$ 138,431</b>	<b>\$</b>	<b>2 \$ 4,827,958</b>	<b>\$ 7,064,583</b>
<b>LIABILITIES &amp; FUND BALANCES</b>						
<b>Liabilities:</b>						
Cash Overdraft	\$ -	\$ 239,046	\$ -	\$	- \$ 239,046	\$ 1,163
Accounts Payable	90,467	4,505	-	-	- 94,972	126,592
Intergovernmental Payable:						
State	-	16,467	-	-	- 16,467	14,140
Federal	-	-	-	-	- -	8,672
Interfund Accounts Payable	-	-	10	-	- 10	218,184
Unearned Revenue	50	2,695	-	-	- 2,745	2,477,692
<b>Total Liabilities</b>	<b>90,517</b>	<b>262,713</b>	<b>10</b>	<b>-</b>	<b>- 353,240</b>	<b>2,846,443</b>
<b>Fund Balances:</b>						
Restricted for:						
Maintenance Reserve	277,880	-	-	-	- 277,880	177,880
Capital Reserve Account	1,826,318	-	-	-	- 1,826,318	1,483,254
Excess Surplus - Designated for Subsequent Year's Expenditures	1,305,072	-	-	-	- 1,305,072	1,273,484
Excess Surplus	1,281,957	-	-	-	- 1,281,957	1,305,072
Capital Projects Fund	-	-	138,421	-	- 138,421	217,918
Debt Service Fund	-	-	-	2	2	2
Unassigned:						
General Fund	(354,932)	-	-	-	- (354,932)	(239,470)
<b>Total Fund Balances</b>	<b>4,336,295</b>	<b>-</b>	<b>138,421</b>	<b>2</b>	<b>4,474,718</b>	<b>4,218,140</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 4,426,812</b>	<b>\$ 262,713</b>	<b>\$ 138,431</b>	<b>\$</b>	<b>2</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 \$73,461,476 and the accumulated depreciation is \$28,323,889.	\$ 45,137,587	\$ 46,845,966
Accrued interest payable is not recorded in the fund financial due to the fact that the payable is not due in the current period.	(315,121)	(348,288)
Unamortized loss on refunding net of Bond Premium is not recorded in the fund financials but is recorded on the district-wide financials.	(241,922)	(89,145)
Internal service funds are used by management to charge the costs of certain activities, such as transportation and food service to other governments. Assets and liabilities of the internal service funds of \$29,410 are included in governmental activities in the Statement of Net Position.	21,888	21,888
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.	(20,890,987)	(22,664,713)

Net position of Governmental Activities \$ 28,186,163 \$ 27,983,848

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

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS	
					(MEMORANDUM ONLY)	
					JUNE 30, 2014	JUNE 30, 2013
<b>Revenues:</b>						
Local Sources:						
Local Tax Levy	\$ 16,577,579	\$ -	\$ -	\$ 2,084,598	\$ 18,662,177	\$ 17,846,942
Tuition	367,146	-	-	-	367,146	285,698
Transportation	4,287	-	-	-	4,287	49,739
Interest Earned on Investments	8,570	-	-	-	8,570	11,149
Interest Earned on Capital Reserve Funds	3,065	-	-	-	3,065	12,427
Miscellaneous	191,515	42,486	-	-	234,001	168,765
<b>Total Local Sources</b>	<b>17,152,162</b>	<b>42,486</b>	<b>-</b>	<b>2,084,598</b>	<b>19,279,246</b>	<b>18,374,720</b>
State Sources	17,727,741	81,763	-	500,117	18,309,621	18,417,210
Federal Sources	541	703,435	-	-	703,976	652,197
<b>Total Revenues</b>	<b>34,880,444</b>	<b>827,684</b>	<b>-</b>	<b>2,584,715</b>	<b>38,292,843</b>	<b>37,444,127</b>
<b>Expenditures:</b>						
Current Expense:						
Regular Instruction	10,415,660	-	-	-	10,415,660	10,396,548
Special Education Instruction	2,075,759	541,080	-	-	2,616,839	2,466,557
Other Instruction	1,036,588	-	-	-	1,036,588	1,043,130
Support Services:						
Tuition	2,546,942	-	-	-	2,546,942	2,276,335
Student & Instruction Related Services	2,192,541	286,604	-	-	2,479,145	2,339,322
Health Services	250,426	-	-	-	250,426	243,164
Educational Media Services/ School Library	257,703	-	-	-	257,703	256,457
Instructional Staff Training	69,266	-	-	-	69,266	76,965
General Administrative	449,579	-	-	-	449,579	441,692
School Administrative Services	1,440,069	-	-	-	1,440,069	1,380,923
Central Services	380,167	-	-	-	380,167	401,679
Administrative Information Technology	337,575	-	-	-	337,575	331,690
Plant Operations & Maintenance	2,837,111	-	-	-	2,837,111	2,874,443
Pupil Transportation	1,682,403	-	-	-	1,682,403	1,653,508
Employee Benefits	8,117,347	-	-	-	8,117,347	7,860,970
Special Schools	72,318	-	-	-	72,318	66,383
Debt Service:						
Principal	-	-	-	1,785,000	1,785,000	1,740,000
Interest & Other Charges	-	-	-	879,212	879,212	953,826
Capital Outlay	382,915	-	-	-	382,915	1,326,861
<b>Total Expenditures</b>	<b>34,544,369</b>	<b>827,684</b>	<b>-</b>	<b>2,664,212</b>	<b>38,036,265</b>	<b>38,130,453</b>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	336,075	-	-	(79,497)	256,578	(686,326)
Other Financing Sources/(Uses):						
Transfers In	-	-	-	79,497	79,497	1,164,280
Transfers Out	-	-	-	-	-	(1,089,280)
Transfers to Debt Service	-	-	(79,497)	-	(79,497)	(75,000)
<b>Total Other Financing Sources &amp; Uses</b>	<b>-</b>	<b>-</b>	<b>(79,497)</b>	<b>79,497</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	336,075	-	(79,497)	-	256,578	(686,326)
Fund Balances July 1, 2013	4,000,220	-	217,918	2	4,218,140	4,904,466
<b>Fund Balances June 30, 2014</b>	<b>\$ 4,336,295</b>	<b>\$ -</b>	<b>\$ 138,421</b>	<b>\$ 2</b>	<b>\$ 4,474,718</b>	<b>\$ 4,218,140</b>

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

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 256,578

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period:

Depreciation Expense	\$ (1,870,974)	
Capital Outlays Adjustments	(2,700)	
Capital Outlays	165,295	(1,708,379)

Repayment of debt 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.

Bond Principal Payments		1,785,000
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Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.

Prior year	348,288	
Current Year	(315,121)	33,167

Amortization of losses on early extinguishments of debt and premiums from refunded debt issuances are recorded when incurred in the governmental funds but are accrued and expensed over time in the statement of activities.		3,064
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In the statement of activities, certain operating expenses, e.g., compensated absences and special termination benefits are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used/(paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.		(11,274)
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Change in Net Position of Governmental Activities		\$ 358,156
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The accompanying Notes to Financial Statements are an integral part of this statement.

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## Proprietary Funds



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**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

ASSETS	BUSINESS-TYPE ACTIVITIES			TOTALS	
	ENTERPRISE FUNDS		GOVERNMENTAL	(MEMORANDUM ONLY)	
	FOOD SERVICE FUND	OTHER FUNDS	ACTIVITIES- INTERNAL SERVICE FUND	JUNE 30, 2014	JUNE 30, 2013
<b>Current Assets:</b>					
Cash & Cash Equivalents	\$ 248,117	\$ 100,299	\$ -	\$ 348,416	\$ 358,740
Receivables from Other					
Governments	8,413	-	209,462	217,875	330,860
Other Receivable	1,360	-	-	1,360	1,915
Interfund Receivable	-	567	-	567	6,439
Inventories	2,391	19,821	-	22,212	21,763
<b>Total Current Assets</b>	<b>260,281</b>	<b>120,687</b>	<b>209,462</b>	<b>590,430</b>	<b>719,717</b>
<b>Fixed Assets:</b>					
Equipment	301,442	-	-	301,442	298,742
Accumulated Depreciation	(296,975)	-	-	(296,975)	(294,267)
<b>Total Fixed Assets</b>	<b>4,467</b>	<b>-</b>	<b>-</b>	<b>4,467</b>	<b>4,475</b>
<b>Total Assets</b>	<b>264,748</b>	<b>120,687</b>	<b>209,462</b>	<b>594,897</b>	<b>724,192</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Cash Overdraft	-	-	170,271	170,271	295,267
Accounts Payable	11,805	1,799	17,303	30,907	17,954
Unearned Revenue	-	6,568	-	6,568	5,900
Interfund Payable	4,642	200	-	4,842	39,878
<b>Total Current Liabilities</b>	<b>16,447</b>	<b>8,567</b>	<b>187,574</b>	<b>212,588</b>	<b>358,999</b>
<b>Noncurrent Liabilities:</b>					
Compensated Absences	68,391	-	-	68,391	67,203
<b>Total Noncurrent Liabilities</b>	<b>68,391</b>	<b>-</b>	<b>-</b>	<b>68,391</b>	<b>67,203</b>
<b>Total Liabilities</b>	<b>84,838</b>	<b>8,567</b>	<b>187,574</b>	<b>280,979</b>	<b>426,202</b>
<b>NET POSITION</b>					
Net Investments in, Capital Assets	4,467			4,467	4,475
Unrestricted	175,443	112,120	21,888	309,451	293,515
<b>Total Net Position</b>	<b>\$ 179,910</b>	<b>\$ 112,120</b>	<b>\$ 21,888</b>	<b>\$ 313,918</b>	<b>\$ 297,990</b>

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

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES-	TOTALS	
	ENTERPRISE FUND	OTHER FUNDS		(MEMORANDUM ONLY)	
	SERVICE FUND	FUNDS	INTERNAL SERVICE FUND	JUNE 30, 2014	JUNE 30, 2013
Operating Revenue:					
Daily Sales - Reimbursable Programs	\$ 265,144	\$ -	\$ -	\$ 265,144	\$ 287,229
Daily Sales - Nonreimbursable Programs	413,860	-	-	413,860	369,621
Transportation Fees	-	-	1,013,188	1,013,188	1,046,377
Special Functions	13,151	-	-	13,151	8,850
Miscellaneous Income	1,686	79,368	-	81,054	98,602
<b>Total - Daily Sales - Reimbursable Programs</b>	<b>693,841</b>	<b>79,368</b>	<b>1,013,188</b>	<b>1,786,397</b>	<b>1,810,679</b>
Operating Expenses:					
Salaries	460,659	43,397	489,358	993,414	982,709
Employee Benefits	35,175	2,487	169,132	206,794	174,187
Supplies and Materials	24,946	1,463	78,701	105,110	102,669
Other Purchased Services	4,521	-	25,976	30,497	29,235
Cleaning, Repair & Maintenance Services	-	-	99,521	99,521	94,439
Depreciation	2,708	-	-	2,708	2,438
Miscellaneous Other Expenses	360	1,365	403	2,128	2,459
Cost of Sales	336,857	15,971	-	352,828	350,622
Contracted Services (Between Home & School Vendors)	-	-	66,233	66,233	71,123
Contracted Services (Special Education (Students) - Joint Agreements)	-	-	14,536	14,536	94,608
Aid in Lieu	-	-	69,328	69,328	42,819
<b>Total Operating Expenses</b>	<b>865,226</b>	<b>64,683</b>	<b>1,013,188</b>	<b>1,943,097</b>	<b>1,947,308</b>
Operating (Loss)/Gain	(171,385)	14,685	-	(156,700)	(136,629)
Nonoperating Revenues/(Expenses):					
State Sources:					
State School Lunch Program	5,578	-	-	5,578	6,177
Federal Sources:					
National School Lunch Program	123,700	-	-	123,700	123,569
Food Distribution Program	40,137	-	-	40,137	40,270
Interest Revenue	513	-	-	513	814
Capital Asset Adjustment	2,700	-	-	2,700	-
<b>Total Nonoperating Revenues</b>	<b>172,628</b>	<b>-</b>	<b>-</b>	<b>172,628</b>	<b>170,830</b>
Change in Net Position	1,243	14,685	-	15,928	34,201
Net Position - Beginning of Year	178,667	97,435	21,888	297,990	263,789
<b>Total Net Position - End of Year</b>	<b>\$ 179,910</b>	<b>\$ 112,120</b>	<b>\$ 21,888</b>	<b>\$ 313,918</b>	<b>\$ 297,990</b>

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

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	BUSINESS-TYPE ACTIVITIES			TOTALS	
	ENTERPRISE FUND		GOVERNMENTAL	(MEMORANDUM ONLY)	
	FOOD SERVICE FUND	OTHER FUNDS	ACTIVITIES- INTERNAL SERVICE FUND	JUNE 30, 2014	JUNE 30, 2013
Cash Flows From Operating Activities:					
Receipts from Customers	\$ 694,396	\$ 84,988	\$ 1,126,109	\$ 1,905,493	\$ 1,917,880
Payments to Employees	(459,471)	(43,397)	(477,283)	(980,151)	(909,397)
Payments for Employee Benefits	(35,175)	(1,567)	(169,132)	(205,874)	(582,310)
Payments to Suppliers	(399,296)	(20,794)	(354,698)	(774,788)	(462,526)
Net Cash Provided/(Used) by Operating Activities	(199,546)	19,230	124,996	(55,320)	(36,353)
Cash Flows From Noncapital Financing Activities:					
Cash Received From State & Federal Reimbursements	169,479	-	-	169,479	164,881
Net Cash Provided by Noncapital Financing Activities	169,479	-	-	169,479	164,881
Cash Flows From Investing Activities:					
Interest & Dividends	513	-	-	513	814
Net Cash Provided by Investing Activities	513	-	-	513	814
Net Increase/(Decrease) in Cash & Cash Equivalents	(29,554)	19,230	124,996	114,672	129,342
Cash & Cash Equivalents, July 1	277,671	81,069	(295,267)	63,473	(65,869)
Cash & Cash Equivalents, June 30	\$ 248,117	\$ 100,299	\$ (170,271)	\$ 178,145	\$ 63,473

**RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:**

Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	\$ (171,385)	\$ 14,685	\$ -	\$ (156,700)	\$ (136,629)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:					
Depreciation Expense	2,708	-	-	2,708	2,438
Change in Assets & Liabilities:					
Increase (decrease) in Accounts Receivable	555	5,872	112,921	119,348	106,181
(Increase)/Decrease in Inventory	2,053	(2,502)	-	(449)	(8,508)
Increase/(Decrease) in Unearned Revenue	-	668	-	668	100
(Decrease) in Accounts Payable	(34,665)	507	12,075	(22,083)	(3,067)
Increase in Compensated Absences	1,188	-	-	1,188	3,132
Total Adjustments	(28,161)	4,545	124,996	101,380	100,276
Net Cash Provided/(Used) by Operating Activities	\$ (199,546)	\$ 19,230	\$ 124,996	\$ (55,320)	\$ (36,353)

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

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Fiduciary Fund

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**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

ASSETS	PRIVATE PURPOSE			AGENCY		TOTALS	
	HALL OF HONOR	SCHOLARSHIP FUND	UNEMPLOYMENT COMPENSATION TRUST	PAYROLL FUND	STUDENT ACTIVITIES	JUNE 30, 2014	JUNE 30, 2013
Cash & Cash Equivalents	\$ 1,064	\$ 8,252	\$ 222,268	\$ 253,672	\$ 427,301	\$ 912,557	\$ 850,458
Interfund Accounts Receivable	-	-	-	-	-	-	4,686
Total Assets	1,064	8,252	222,268	253,672	427,301	912,557	855,144
<b>LIABILITIES</b>							
Payroll Deductions & Withholdings	-	-	-	248,907	-	248,907	219,312
Accounts Payable	-	-	3,388	-	-	3,388	10,984
Due to Student Groups	-	-	-	-	419,444	419,444	418,964
Due to Academic Banquet	-	-	-	-	-	-	1,209
Interfund Accounts Payable	-	-	-	4,765	7,857	12,622	11,968
Total Liabilities	-	-	3,388	253,672	427,301	684,361	662,437
<b>NET POSITION</b>							
Reserved:	-	-	218,880	-	-	218,880	182,883
Unemployment Claims Reserved for Scholarships	1,064	8,252	-	-	-	9,316	9,824
Total Net Position	\$ 1,064	\$ 8,252	\$ 218,880	\$ -	\$ -	\$ 228,196	\$ 192,707

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



**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	PRIVATE PURPOSE			TOTALS	
	HALL OF HONOR	SCHOLARSHIP FUND	UNEMPLOYMENT COMPENSATION TRUST	JUNE 30, 2014	JUNE 30, 2013 <small>(MEMORANDUM ONLY)</small>
ADDITIONS:					
Contributions:					
Plan Member	\$ -	\$ -	\$ 41,741	\$ 41,741	\$ 33,075
Other	-	4,462	-	4,462	2,130
Total Contributions	-	4,462	41,741	46,203	35,205
Investment Earnings:					
Interest on Investments	-	30	362	392	615
Total Investment Earnings	-	30	362	392	615
Total Additions	-	4,492	42,103	46,595	35,820
DEDUCTIONS:					
Unemployment Claims	-	-	6,106	6,106	40,860
Scholarship Payments	-	5,000	-	5,000	5,000
Total Deductions	-	5,000	6,106	11,106	45,860
Change in Net Position	-	(508)	35,997	35,489	(10,040)
Net Position - Beginning of Year	1,064	8,760	182,883	192,707	202,747
Net Position - End of Year	\$ 1,064	\$ 8,252	\$ 218,880	\$ 228,196	\$ 192,707

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

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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# CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Clearview Regional High School District have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounts policies.

#### A. Reporting Entity:

The Clearview Regional High School District is a Type II District located in the County of Gloucester, 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. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to educate students in grades 7-12 received from the Townships of Harrison and Mantua. The Clearview Regional High School District has an approximate enrollment at June 30, 2014 of 2,516 students.

#### B. Component Units

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 whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization's board
- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

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

**District-Wide Financial Statements** – The governmental fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year-end. Principal revenue sources considered susceptible to accrual include federal and state grants, interest on investments, tuition and transportation. Other revenues are considered to be measurable and available only when cash is received by the state.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

# CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### **Note 1. Summary of Significant Accounting Policies (continued):**

#### **D. District-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **E. Fund Accounting**

The accounts of the Clearview Regional High School District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The various funds and accounts are grouped, in the financial statements in this report, into seven fund types within three broad fund categories and two account groups as follows:

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1. Summary of Significant Accounting Policies (continued):**

**E. Fund Accounting (continued):**

**Governmental Funds**

**General Fund** - The general fund is the general operating fund of the Clearview Regional High School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey Department of Education Clearview Regional High School District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles (GAAP) as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

**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).

**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.

**Internal Service Fund** – Internal service funds are cost accounting and distribution entities, and are intended to "break even" annually and/or over a period of years. The use of an internal service fund does not provide additional revenue or expenses to the district but acts as a means to document the sharing of the costs.

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1. Summary of Significant Accounting Policies (continued):**

**E. Fund Accounting (continued):**

**Proprietary Fund**

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

**Enterprise** - The enterprise fund is used to account for the operations that are financed and operated in a manner similar to a private business enterprise. The costs of providing goods or services are financed 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.

All Proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

Machinery and Equipment	5-20 years
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The District’s enterprise fund is comprised of the following:

- Food Service Fund – This fund accounts for the revenues and expenses pertaining to the District’s cafeteria operations.
- Summer Camps – This fund accounts for the revenues and expenses pertaining to Summer Camps run by the District.
- Little Pioneers – The fund accounts for the revenues and expenses pertaining to a Pre-K program run by students and supervised by teachers and aides.
- School Store – This fund accounts for the revenues and expenses pertaining to the school store run by the District.

**Fiduciary Fund**

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity’s own operating programs which includes private purpose trust funds and agency funds

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1. Summary of Significant Accounting Policies (continued):**

**E. Fund Accounting (continued):**

**Private Purpose Trust Funds** - used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The District currently maintains an Unemployment Trust Fund and Scholarship Fund private purpose trusts.

**Agency Funds** - assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity's own operating programs. The District currently maintains Payroll and Student Activity Funds as Agency Funds.

**F. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in total net position.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., total net position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both 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 be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Clearview Regional High School District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Clearview Regional High School District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and private purpose trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.



# CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### Note 1. Summary of Significant Accounting Policies (continued):

#### G. 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 approved by the County Superintendent. 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.6:20-2A(m)1*. All budget amendments must be approved by School Board resolution.

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.

The budget, as detailed on Exhibit C-1 and Exhibit C-2, includes all amendments to the adopted budget, if any.

#### H. 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 Clearview Regional High School 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.

#### I. Cash

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.

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1. Summary of Significant Accounting Policies (continued):**

**I. Cash (continued):**

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.18A:20-37* provides a list of permissible investments that may be purchased by New Jersey school districts.

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

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

**J. Tuition Receivable/Payable**

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

These adjustments are recorded upon certification by the State Board of Education, which is normally three years following the contract year. The cumulative adjustments through June 30, 2014, which have not been recorded, are not determinable.

The tuition rate adjustments for the years 2012-2013 have been established. According to the School District’s records, these amounts of adjustments are immaterial to the financial statements.

**K. Inventories**

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

**L. Prepaid Expenses**

Prepaid expenses, which benefit future periods, are only recorded in the government-wide financial statements and in the proprietary fund statements. Prepaid expenses in the proprietary fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014. They are recorded as expenditure during the year of purchase.

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1. Summary of Significant Accounting Policies (continued):**

**M. 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 Clearview Regional High School District and that are due within one year.

**N. Capital Assets**

General fixed assets acquired or constructed during the year are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Fixed assets are defined by the District as assets, which have a cost in excess of \$2,000 at the date of acquisition and a useful life of one year or more. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed were valued by an independent appraisal company. General fixed assets, such as land and buildings, are valued at the historical cost basis and through estimated procedures performed by an independent appraisal company, respectively.

General fixed assets are reflected as expenditures in the applicable governmental funds. Depreciation expense is recorded in the district-wide financial statements as well as the proprietary fund. Capital assets are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally estimated useful lives are as follows:

Site Improvements	20 Years
Building & Improvements	20-50 Years
Machinery and Equipment	5–20 Years

**O. Deferred Outflow of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its acquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**P. Accrued Salaries and Wages**

District employees, who provide services to the District over the ten-month academic year and extended eleven-month calendar, do not have the option to have their salaries disbursed during the entire twelve-month year. Therefore, there is no accrual as of June 30, 2014 for such salaries.

**Q. 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

# CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### Note 1. Summary of Significant Accounting Policies (continued):

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 the District-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

### R. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the District is eligible to realize the revenue.

### S. Long-term Obligations

In district-wide financial statements, under governmental activities, long-term debt is recognized as a liability in the general fund as debt is incurred.

### T. Fund Equity

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Clearview Regional High School District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

The Clearview Regional High School District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation. Additionally, the Clearview Regional High School District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

# CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

### Note 1. Summary of Significant Accounting Policies (continued):

#### U. Net Position

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

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

#### V. Impact of Recently Issued Accounting Principles

##### Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012*—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*,

and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. Management has implemented this Statement in the District's financial statements for the year ended June 30, 2014 with a prior period restatement to beginning net position. See Note 19 for more information.

##### Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1. Summary of Significant Accounting Policies (continued):**

**W. Subsequent Events**

Clearview Regional High School District has evaluated subsequent events occurring after June 30, 2014 through the date of October 23, 2013, which is the date the financial statements were available to be issued.

In accordance with State of New Jersey statutes, the fund balance to be utilized in the subsequent year budget is not legally restricted and therefore has been classified as fund balance designated for subsequent year's expenditures and is not reserved.

**Note 2. Cash**

The District is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at June 30, 2014 and reported at fair value are as follows:

Type	Carrying Value
<b>Deposits</b>	
Demand Deposits	\$ 4,950,907
Total Deposits	\$ 4,950,907
 <b>The District's Cash and Cash Equivalents are Reported as Follows:</b>	
Government Activities	\$ 3,689,934
Business-Type Activities	348,416
Fiduciary Funds	912,557
Total Cash and Cash Equivalents	\$ 4,950,907

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2014, the District's bank balance of \$5,728,756 was insured or collateralized as shown below:

Insured Under FDIC	\$ 250,000
Collateralized by securities held by	
Pledging financial institution	4,461,251
Uninsured & Uncollateralized	1,017,505
Total	\$ 5,728,756

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 3. Reserve Accounts**

**A. Capital Reserve**

A capital reserve account was established by the Board of Education by inclusion of \$5,000 on September 28, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C.6:23A-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 1, 2013 to June 30, 2014 fiscal year is as follows:

Beginning Balance, July 1, 2013	\$ 1,483,254
Transfer per June Resolution	340,000
Interest Earnings	<u>3,064</u>
Ending Balance, June 30, 2014	<u><u>\$ 1,826,318</u></u>

**B. Maintenance Reserve Account**

The District established a Maintenance Reserve Account for the accumulation of Funds for use as maintenance expenditures in subsequent fiscal years. The Maintenance Reserve Account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the maintenance reserve account are restricted to maintenance projects in the District's approved Maintenance Plan (M-1). A 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 of any unanticipated revenue or unexpended line-item appropriation amounts, or both.

The activity of the maintenance reserve for the July 1, 2013 to June 30, 2014 fiscal year is as follows:

Beginning Balance, July 1, 2013	\$ 177,880
Transfer per June Resolution	<u>100,000</u>
Ending Balance, June 30, 2014	<u><u>\$ 277,880</u></u>

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 4. Accounts Receivable**

Accounts receivable at June 30, 2014 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Funds	Total
Intergovernmental	\$ 449,087	\$ 262,394	\$ 217,875	\$ 929,356
Other	-	319	1,360	1,679
<b>Total</b>	<b>\$ 449,087</b>	<b>\$ 262,713</b>	<b>\$ 219,235</b>	<b>\$ 931,035</b>

**Note 5. Capital Assets**

The following schedule is a summarization of the capital assets by source for the fiscal year ended June 30, 2014:

	June 30, 2013	Additions	Deletions	Transfers/ Adjustments	June 30, 2014
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,556,708	\$ -	\$ -	\$ -	\$ 1,556,708
<b>Total assets not being depreciated</b>	<b>1,556,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,556,708</b>
Capital Assets being depreciated:					
Buildings & Improvements	61,739,455	-	-	-	61,739,455
Land Improvements	3,786,541	-	-	(25,582)	3,760,959
Machinery & Equipment	6,220,213	165,295	(4,036)	22,882	6,404,354
<b>Total Historical Cost</b>	<b>71,746,209</b>	<b>165,295</b>	<b>(4,036)</b>	<b>(2,700)</b>	<b>71,904,768</b>
Less: accumulated depreciation					
Buildings & Improvements	(19,347,561)	(1,477,655)	-	-	(20,825,216)
Land Improvements	(2,037,327)	(142,943)	-	-	(2,180,270)
Machinery & Equipment	(5,072,063)	(250,376)	4,036	-	(5,318,403)
<b>Total accumulated depreciation</b>	<b>(26,456,951)</b>	<b>(1,870,974)</b>	<b>4,036</b>	<b>-</b>	<b>(28,323,889)</b>
<b>Capital assets being depreciated, net</b>	<b>45,289,258</b>	<b>(1,705,679)</b>	<b>-</b>	<b>(2,700)</b>	<b>43,580,879</b>
<b>Total Governmental Activities, net</b>	<b>\$ 46,845,966</b>	<b>\$ (1,705,679)</b>	<b>\$ -</b>	<b>\$ (2,700)</b>	<b>\$ 45,137,587</b>



**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 5. Capital Assets (continued):**

The following is a summary of proprietary fund type fixed assets at June 30, 2014:

	June 30, 2013	Additions	Transfers/ Adjustments	June 30, 2014
<b>Business-Type Activities:</b>				
Capital assets being depreciated:				
Machinery & Equipment	\$ 298,742	\$ -	\$ 2,700	\$ 301,442
Less: accumulated depreciation:				
Equipment	(294,267)	(2,708)	-	(296,975)
<hr/>				
Business-type activities capital assets, net	\$ 4,475	\$ (2,708)	\$ 2,700	\$ 4,467
<hr/>				

**Note 6. Long-Term Obligations**

Bonds are authorized in accordance with State law by the voters of the Municipality through referendums. All Bonds are retired in serial installments within the statutory period of usefulness. Bonds Issued by the Board are General Obligation Bonds.

**A. Defeased Debt:**

On December 1, 1997, the District issued General Obligation Bonds of \$10,105,000 (par value) with interest rates ranging from 3.70% to 5.375% to advance refund 1994 General Obligation Bonds with an interest rate of 6.10% and a par value of \$9,255,000. Maturities of the 1994 Bonds range from 2005 to 2015 and they are callable, at par, on or after August 1, 2005. The 1997 General Obligation Bonds were issued with a net bond premium of \$153,806 that was used, in part, to pay issuance costs of \$137,147. The net proceeds from the issuance of the General Obligation Bonds were used to purchase U.S. Government securities and those securities were placed on deposit in an irrevocable trust with an escrow agent to provide debt service payments on the 1994 Bonds. The advance refunding met the requirements of an in-substance defeasance and the 1994 Bonds were removed from the District's debt. As a result of the advance refunding, the District reduced its total debt service requirements by \$399,191, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$295,453. Also as a result of the refunding the district incurred an accounting loss of \$712,853 which is being amortized over the remaining life of the defeased bond issue.

On December 23, 2009, the District issued Bonds of \$1,303,000 (par value) with interest rates ranging from 2% to 3.5%. Maturities of the 2009 Bonds range from 2011 to 2025 and they are callable, at par, on or after January 15, 2025. The proceeds from the sale of the Bond will be used to finance the installation of solar panels at the Middle School.

On October 13, 2010 the School District received approval from the Local Finance Board to finally adopt a refunding bond ordinance to effectuate the issuance of not-to-exceed \$20,500,000 School Refunding Bonds for the purpose of refunding the 2003 Bonds. The Refunding Bonds were priced on the morning of Wednesday, October 27, 2010 by Roosevelt & Cross Incorporated, acting as Sole Manager for the Refunding Bonds. The Refunding Bonds were received well by the market and effectively priced by the

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 6. Long-Term Obligations (continued):**

underwriter, resulting in most of the maturities fully sold. The remaining unsold balances were underwritten by Roosevelt & Cross. The rates achieved on the Refunding Bonds produced present value savings of 5.205% for the School District, greatly exceeding the target of 3.00%. The Refunding Bonds were issued over the same term as the 2003 Bonds, with maturities of February 15, 2011 through February 12, 2023 with coupons of 2.00% to 5.00% and interest rates ranging from 0.75% to 3.35%. The structure of the Refunding Bonds consisted of all serial bonds. The Refunding Bonds are subject to optional redemption prior to maturity. The Board will realize a total of \$1,163,814 in debt service savings through 2023 as a result of this refunding. On a present value basis, the savings equate to \$987,246 (net of all costs of issuing the bonds), or 5.205% of the bonds refunded.

**B. Long-Term Obligation Activity:**

During the fiscal year ended June 30, 2014 the following changes occurred in liabilities reported in the general long-term debt account group:

	June 30, <u>2013</u>	<u>Retired</u>	<u>Additions</u>	June 30, <u>2014</u>	Due Within <u>One Year</u>
Bonds Payable	\$ 21,663,000	\$ 1,785,000	\$ -	\$ 19,878,000	\$ 1,870,000
Unamortized Bond Premium	1,205,544	140,595	-	1,064,949	140,595
Compensated Absences Payable:					
Governmental	1,001,713	-	11,274	1,012,987	-
Business-Type	67,203	-	1,188	68,391	-
	<hr/>			<hr/>	
Total	<u>\$ 23,937,460</u>	<u>\$ 1,925,595</u>	<u>\$ 12,462</u>	<u>\$ 22,024,327</u>	<u>\$ 2,010,595</u>

**C. Bonds Payable:**

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

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

<b>Year-ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 1,870,000	\$ 772,309	\$ 2,642,309
2016	1,940,000	687,809	2,627,809
2017	1,990,000	648,209	2,638,209
2018	2,030,000	574,496	2,604,496
2019	2,160,000	483,934	2,643,934
2020-2024	9,785,000	973,006	10,758,006
2025	103,000	2,189	105,189
	<hr/>		
Total	<u>\$ 19,878,000</u>	<u>\$ 4,141,952</u>	<u>\$ 24,019,952</u>

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 7. Operating Leases**

The District has commitments to lease copiers under non-cancellable operating leases for five years. Total lease payments made during the year ended June 30, 2014 amounted to \$67,726. Future minimum lease payments are as follows:

<b>Year-ending June 30,</b>	
2015	\$ 73,213
2016	63,568
2017	61,503
2018	47,941
2019	<u>6,791</u>
Total Minimum Lease Payments	<u>\$253,016</u>

**Note 8. Pension Plans**

**Plan Descriptions** - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

**Teachers' Pension and Annuity Fund (TPAF)** - The Teachers' Pension and Annuity Fund was established in January 1955, under the provisions of *N.J.S.A.18A:66* to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund

is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 8. Pension Plans (continued):**

**Vesting and Benefit Provisions** - The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B* and *N.J.S.A.18A:6C* for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Significant Legislation below.

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

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the TPAF and the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio".

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 8. Pension Plans (continued):**

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

**Contribution Requirements** – The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees’ annual compensation, as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. Under current statute the District is a noncontributing employer of the TPAF.

**Three-Year Trend Information for PERS**

<b>Year Funding</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2014	\$ 444,423	100%	\$ -
6/30/2013	442,314	100%	-
6/30/2012	445,560	100%	-

**Three-Year Trend Information for TPAF Pension & Post-Retirement Medical Contributions  
(Paid on behalf of the District)**

<b>Year Funding</b>	<b>Annual Pension/Medical Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2014	\$ 1,522,739	100%	\$ -
6/30/2013	1,868,031	100%	-
6/30/2012	1,256,812	100%	-

During the year ended June 30, 2014 the State of New Jersey contributed \$1,522,739 to the TPAF for normal post-retirement benefits on behalf of the District. Also in accordance with *N.J.S.A.18A:66-66* the State of New Jersey reimbursed the District \$1,023,383 for the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 9. Post-Retirement Benefits**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers’ Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State Employees who retire after accumulating 25 years of credited service or on 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. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. 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 premiums changed from a prefunding 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 free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

**Note 10. Risk Management**

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

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

**New Jersey Unemployment Compensation Insurance** – The District has elected to fund their 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 School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District’s expendable trust fund for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2013-2014	\$ -	\$ 42,103	\$ 6,106	\$ 218,880
2012-2013	-	33,650	40,860	182,883
2011-2012	-	52,614	60,712	190,093

Annual contributions to the Fund are determined by the Fund’s Board of Trustees. The District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund’s Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 11. Contingent Liabilities**

In the opinion of the Administration and Legal Counsels, there are no material litigation or contingent liabilities that are pending against the Clearview Regional High School District.

**Note 12. Economic Dependency**

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

**Note 13. Interfund Receivables and Payables**

The following interfund balances remained on the balance sheet at June 30, 2014:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ 16,907	\$ -
Capital Projects Fund	-	10
Enterprise Funds	567	4,842
Fiduciary Funds	-	12,622
	<u>\$ 17,474</u>	<u>\$ 17,474</u>

The purpose of these interfunds are for short-term borrowings.

**Note 14. Fund Balance Disclosures**

**General Fund (Exhibit B-1)** – Of the \$4,336,295 General Fund fund balance at June 30, 2014, \$1,305,072 is restricted for excess surplus – designated for subsequent years expenditures; \$277,880 is restricted to establish the Maintenance Reserve Account; \$1,826,318 is restricted to establish the Capital Reserve Account; \$1,281,957 is restricted for excess surplus in accordance with *N.J.S.A.18A:7F-7*; and \$(354,932) is unassigned.

**Capital Projects Fund (Exhibit B-1)** – The fund balance of \$138,421 has been restricted for the Capital Projects Fund.

**Debt Service Fund (Exhibit B-1)** – The fund balance of \$2 has been restricted for the Debt Service Fund.

**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 15. Deferred Compensation**

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits 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:

Lincoln Investment Planning, Inc.	AXA Equitable
Met Life	Aspire

**Note 16. Compensated Absences**

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

District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. Employees who are employed for twelve months are entitled to twelve paid sick days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. However, an employee must have 25 years of service or their contract must specifically allow the payment of unused sick leave. District employees are entitled to three personal days, which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the District's agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net position under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2014 is \$1,012,987 for governmental activities and \$68,391 for business-type activities.

**Note 17. 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 Restricted Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey School Funding Reform Act of 2008 (SFRA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2014 is \$1,281,957.



**CLEARVIEW REGIONAL HIGH SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 18. Transfers to Capital Outlay**

During the year ending June 30, 2014, the district did not transfer funds to the capital outlay accounts.

**Note 19. Prior Period Restatement**

As discussed in Note 1, the District has implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities* in the District's financial statements for the year ended June 30, 2014. As a result, net position as of July 1, 2013 has been restated as follows:

	<u>Original Balance</u>	<u>Net Adjustment</u>	<u>Restated Balance</u>
Unamortized Bond Issuance Costs (1)	\$ 155,841	\$ (155,841)	\$ -0-
Net Position, July 1, 2013	\$(27,983,848)	\$ 155,841	\$(27,828,007)

(1) Previously reported as an asset on the Statement of Net Position and amortized over the life of related debt.

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION**

\_\_\_\_\_, 2015

The Board of Education of the  
Clearview Regional High School  
District in the County of Gloucester, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Clearview Regional High School District in the County of Gloucester, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$1,995,000 School Bonds dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on August 27, 2015 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on November 3, 2015 and (iii) a resolution duly adopted by the Board of Education on November 19, 2015. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the school district for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive

to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, pursuant to Section 103(a) of the Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It is also our opinion that interest on the Bonds held by a corporate taxpayer is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,