

Amendment to Preliminary Official Statement dated January 22, 2019  
relating to

**THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF NORTH BRUNSWICK  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY  
\$42,348,000 SCHOOL BONDS  
(Book-Entry-Only) (Callable)**

The Preliminary Official Statement of the Board of Education of the Township of North Brunswick, Middlesex County, New Jersey (the "Board") dated January 17, 2019 relating to the issuance of the above referenced bonds is amended as follows:

The last paragraph in the section entitled "SECONDARY MARKET DISCLOSURE" is hereby amended by deleting said paragraph and substituting the following in lieu thereof, thereby making said paragraph read as follows:

***"SECONDARY MARKET DISCLOSURE"***

Within the five years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements the adopted budget for the fiscal year ending June 30, 2015. Additionally, the Board previously failed to file late filing notices in connection with its untimely filings of an adopted budget, as described above, and late filing notices and/or event notices in connection with (a) a bond insurer rating change; and (b) a program rating change. Such notices of events and late filings have since been filed with EMMA. The Board appointed Phoenix Advisors, LLC in September of 2014 to serve as continuing disclosure agent.

Dated: January 22, 2019

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 17, 2019**

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

**THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF NORTH BRUNSWICK  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY  
\$42,348,000 SCHOOL BONDS  
(Book-Entry-Only) (Callable)**

**Dated:** Date of Delivery**Due:** August 15, as shown below

The \$42,348,000 School Bonds (the "Bonds") of The Board of Education of the Township of North Brunswick in the County of Middlesex, 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 15 and August 15 in each year until maturity, or earlier redemption, commencing on August 15, 2019. 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 February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS- Redemption" herein.

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

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

| <u>Maturity<br/>(August 15)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield</u> | <u>CUSIP*</u> | <u>Maturity<br/>(August 15)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield</u> | <u>CUSIP*</u> |
|---------------------------------|-----------------------------|--------------------------|--------------|---------------|---------------------------------|-----------------------------|--------------------------|--------------|---------------|
|                                 |                             | <u>%</u>                 | <u>%</u>     |               |                                 |                             | <u>%</u>                 | <u>%</u>     |               |
| 2020                            | \$993,000                   |                          |              |               | 2032                            | \$1,980,000                 |                          |              |               |
| 2021                            | 990,000                     |                          |              |               | 2033                            | 1,980,000                   |                          |              |               |
| 2022                            | 990,000                     |                          |              |               | 2034                            | 1,980,000                   |                          |              |               |
| 2023                            | 990,000                     |                          |              |               | 2035                            | 1,980,000                   |                          |              |               |
| 2024                            | 990,000                     |                          |              |               | 2036                            | 1,980,000                   |                          |              |               |
| 2025                            | 1,980,000                   |                          |              |               | 2037                            | 1,980,000                   |                          |              |               |
| 2026                            | 1,980,000                   |                          |              |               | 2038                            | 1,980,000                   |                          |              |               |
| 2027                            | 1,980,000                   |                          |              |               | 2039                            | 1,980,000                   |                          |              |               |
| 2028                            | 1,980,000                   |                          |              |               | 2040                            | 1,980,000                   |                          |              |               |
| 2029                            | 1,980,000                   |                          |              |               | 2041                            | 1,915,000                   |                          |              |               |
| 2030                            | 1,980,000                   |                          |              |               | 2042                            | 1,900,000                   |                          |              |               |
| 2031                            | 1,980,000                   |                          |              |               | 2043                            | 1,900,000                   |                          |              |               |

*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 Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about February 7, 2019.*

**ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON JANUARY 24, 2019. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.**

*\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by S&P Capital IQ's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.*

**THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF NORTH BRUNSWICK  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

**MEMBERS OF THE BOARD**

Gloria N. Gonzalez - President  
Barry Duran Harris - Vice President  
Anthony Brooks  
David Brockman  
Claribel Cortes  
Coleen Keefe  
Richard Liguori  
Howard Liu  
Traci Rubin

**SUPERINTENDENT**

Dr. Brian Zychowski

**INTERIM SCHOOL BUSINESS ADMINISTRATOR**

Dr. Brian Falkowski

**ASSISTANT BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Alex Benanti

**BOARD AUDITOR**

Samuel Klein and Company  
Freehold, New Jersey

**SOLICITOR**

Jonathan M. Busch, Esq.  
Metuchen, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

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

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

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

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**OFFICIAL STATEMENT  
OF  
THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF NORTH BRUNSWICK  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

**\$42,348,000  
SCHOOL BONDS  
(BOOK-ENTRY-ONLY) (CALLABLE)**

**INTRODUCTION**

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of North Brunswick in the County of Middlesex, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$42,348,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Interim Business Administrator, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

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

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

**DESCRIPTION OF THE BONDS**

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

**Terms and Interest Payment Dates**

The Bonds shall be dated the date of delivery and shall mature on August 15 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 fifteenth day of February and August, commencing on August 15, 2019 (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, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each February 1 and August 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC") or its nominee Cede & Co. (or any successor or assign) is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

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

## **Redemption**

The Bonds maturing prior to August 15, 2029 are not subject to redemption prior to maturity. The Bonds maturing on or after August 15, 2029 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after August 15, 2028 at a price of 100% of the Bonds to be redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

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

## **Security for the Bonds**

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights generally.

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

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

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

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

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

### **AUTHORIZATION AND PURPOSE**

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on September 21, 2016 and approved by a majority of the legal voters present and voting at the School District election held on December 13, 2016 and by a resolution duly adopted by the Board on December 19, 2018 (the "Resolution").

The purpose of the Bonds is to: (i) permanently finance the acquisition of land, the associated design fees, and the partial construction of a new middle school, including fixtures, furnishings and equipment, and (ii) to permanently finance design and partial construction costs including fixtures, furnishings and equipment associated with the renovations to the Linwood Middle School (the "Projects"). The Board also expects to receive 40% debt service aid on the eligible costs of the Projects.



## OTHER FINANCING PLANS

The School District is planning to finance its Energy Savings Improvement Program in an amount of not- to-exceed \$13,500,000. Under the Energy Savings Improvement Program law the annual repayment of the obligations is offset from savings resulting from the reduction of energy usage. See page 12 “Energy Savings Obligations.” The School District is planning to finance through a lease purchase agreement that is not subject to annual appropriation and will not be a public offering.

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

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

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.

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

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

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

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

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

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

The Board consists of nine (9) elected members. Pursuant to State statute, the Board appoints a Superintendent and a Business Administrator. *See "APPENDIX A – Certain Economic and Demographic Information About the School District and the Township of North Brunswick."*

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

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

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

The Commissioner of Education (the "Commissioner") is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice

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

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

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

### **Categories of School Districts**

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

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

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

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

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

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

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

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

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

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

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

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

The Budget Election Law (P.L. 2011, c.202, effective January 17, 2012) established procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four years.

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

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

### **Spending Growth Limitation**

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's

spending growth limitation amount (the “Spending Growth Limitation”). *See* “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT” herein.

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

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

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

### **Budgets and Appropriations**

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

### **Tax and Spending Limitations**

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

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

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

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

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

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

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

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

### **Issuance of Debt**

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

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

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

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

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

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

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

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a pre-kindergarten (PreK) through grade twelve (12) school district, the Board can borrow up to 4% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 4% debt limit. *See* "APPENDIX A – Debt Limit of the Board."

#### **Exceptions to Debt Limitation**

A Type II school district (other than a regional school district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The School District has not utilized the municipality's borrowing margin. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.



## **Capital Lease Financing**

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see “Energy Savings Obligations” below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended (“EFCFA”) repealed the authorization to enter into facilities leases for a term in excess of five years. The payment of rent is treated as a current expense and within the school district’s Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district’s Spending Growth Limitation and tax levy cap.

## **Energy Saving Obligations**

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

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

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

## **Investment of School Funds**

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

17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

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

The Board has no investments in derivatives.

## SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

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

Pursuant to Public Law 2018, c. 67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school

districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year. The Board received an additional \$4,231,060 in fiscal year 2018/19 under the SFRA Modification Law and expects to continue to receive the additional aid unless its enrollment and other factors change. The School District was also recently awarded Preschool Education Expansion Aid in the amount of \$928,808 for preschool programs.

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

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

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2018. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2018 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

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

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

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

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

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

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

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

The Township 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 Township 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 Township or substantially reduce the ability of the Township 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 Township 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 Township may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year’s principal payment for a bond issue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to April 15 in each year, the Township 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, 2017 are presented in Appendix B to this Official Statement (the "Audited Financial Statements"). The Audited Financial Statements have been audited by Samuel Klein and Company, Freehold, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. Also included in Appendix B is certain unaudited financial information of the Board as of and for the year ended June 30, 2018 (together with the Audited Financial Statements, the "Financial Statements"). *See* "APPENDIX B –Financial Statements of the Board of Education of the Township of North Brunswick". Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

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

### **LITIGATION**

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

## TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. McManimon, Scotland & Baumann, LLC ("Bond Counsel") will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Board with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

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

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

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

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

### **Original Issue Discount**

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



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

### **Original Issue Premium**

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

### **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

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

### **Changes in Federal Tax Law Regarding the Bonds**

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

## **Bank Qualification**

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

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

## **State Taxation**

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

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

## **MUNICIPAL BANKRUPTCY**

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

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

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

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

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

### **APPROVAL OF LEGAL PROCEEDINGS**

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

### **PREPARATION OF OFFICIAL STATEMENT**

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter (as hereinafter defined) by a certificate signed by the Board President and the Interim Business Administrator.

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

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

### **RATINGS**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA" to the Bonds based upon the underlying credit of the School District. The Rating Agency has also assigned its rating of "BBB+" to the Bonds based upon the additional security provided by the Act.

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

### **UNDERWRITING**

The Bonds have been purchased from the Board at a public sale by \_\_\_\_\_ (the "Underwriter") at a price of \$ \_\_\_\_\_.

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

## MUNICIPAL ADVISOR

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

## SECONDARY MARKET DISCLOSURE

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

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

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

Within the five years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements the adopted budget for the fiscal year ending June 30, 2015. Additionally, the Board previously failed to file late filing notices in connection with its untimely filings of an adopted budget, as described above, and late filing notices and/or event notices in connection with (a) a bond insurer rating change; and (b) a program rating change. Such notices of events and late filings have since been filed with EMMA. The Board appointed Phoenix Advisors, LLC in September of 2014 to serve as continuing disclosure agent.

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Dr. Brian Falkowski, Interim Business Administrator, at 308 Old Georges Road, PO Box 6016, North Brunswick, NJ 08902, (732) 289-3000, or to the Municipal Advisor, Phoenix Advisors, LLC, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

**CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT**

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

**MISCELLANEOUS**

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

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF NORTH  
BRUNSWICK IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

By: \_\_\_\_\_  
**Dr. Brian Falkowski, Interim Business Administrator**

**Date:** January \_\_, 2019

**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL  
DISTRICT AND THE TOWNSHIP OF NORTH BRUNSWICK**

## 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 North Brunswick (the “Board”). The School District provides a full range of educational services appropriate to pre-kindergarten (Pre-K) through grade twelve (12).

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:

| <b>Facility</b>                   | <b>Construction<br/>Date</b> | <b>Grade<br/>Level</b> | <b>Student<br/>Enrollment<br/>(As of 6/30/18)</b> |
|-----------------------------------|------------------------------|------------------------|---|
| North Brunswick Early Childhood   | 2015                         | Pre-K                  | 154   |
| Arthur M. Judd Elementary School  | 1987                         | PreK-5                 | 720   |
| John Adams Elementary School      | 1961                         | K-5                    | 650   |
| Livingston Park Elementary School | 1930                         | K-5                    | 593   |
| Parsons Elementary School         | 1965                         | K-5                    | 735   |
| Linwood Middle School             | 1951                         | 6-8                    | 1,380   |
| North Brunswick Township High     | 1973                         | 9-12                   | 1,781   |

Source: Comprehensive Annual Financial Report of the School District

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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>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Teaching Professionals           | 621         | 621         | 613         | 583         | 583         |
| Support Staff                    | <u>372</u>  | <u>342</u>  | <u>328</u>  | <u>315</u>  | <u>315</u>  |
| Total Full & Part Time Employees | <u>993</u>  | <u>963</u>  | <u>941</u>  | <u>898</u>  | <u>898</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> |
| 2017-2018                | 6,206             |
| 2016-2017                | 6,175             |
| 2015-2016                | 6,245             |
| 2014-2015                | 6,224             |
| 2013-2014                | 6,162             |

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

## **Labor Relations**

| <b>Labor Contract</b> | <b>Date of Contract</b> |
|-----------------------|-------------------------|
| <u>Representing</u>   | <u>Expiration</u>       |
| Education Association | 6/30/2019               |
| Administrators        | 6/30/2020               |
| Support Staff         | 6/30/2019               |

Source: School District

## **Pensions**

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the "Pension System"). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the

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

### **Fiscal 2018-19 Budget**

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if the school has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If the Board proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The 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 2018-2019 fiscal year is \$99,251,525. The major sources of revenue are \$80,254,358 from the local tax levy and \$16,352,249 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 general fund budget for voter approval. The results of the last five budget adoptions of the Board are as follows:

| <b><u>Budget<br/>Year</u></b> | <b><u>Amount Raised<br/>in Taxes</u></b> | <b><u>Budget<br/>Amount</u></b> | <b><u>Election<br/>Result</u></b> |
|-------------------------------|--|---------------------------------|-----------------------------------|
| 2018-2019                     | \$80,254,358                             | \$99,251,525                    | N/A                               |
| 2017-2018                     | 78,416,037                               | 94,378,456                      | N/A                               |
| 2016-2017                     | 76,515,723                               | 91,754,073                      | N/A                               |
| 2015-2016                     | 74,574,523                               | 87,886,308                      | N/A                               |
| 2014-2015                     | 72,463,487                               | 85,542,356                      | N/A                               |

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, 2014 through June 30, 2018 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

|                                      | <u>2018U</u>       | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>REVENUES</b>                      |                    |                    |                    |                    |                    |
| Local Sources:                       |                    |                    |                    |                    |                    |
| Local Tax Levy                       | \$78,416,037       | \$76,515,723       | \$74,574,523       | \$72,463,487       | \$70,797,537       |
| Other Local Revenue                  | <u>665,404</u>     | <u>580,978</u>     | <u>297,393</u>     | <u>707,764</u>     | <u>456,512</u>     |
| Total revenues-local sources         | 79,081,441         | 77,096,701         | 74,871,916         | 73,171,251         | 71,254,049         |
| State Sources                        | 28,636,184         | 24,647,097         | 22,124,844         | 20,053,050         | 18,918,470         |
| Federal Sources                      | <u>195,657</u>     | <u>177,331</u>     | <u>128,840</u>     | <u>167,338</u>     | <u>77,282</u>      |
| Total Revenues                       | \$107,913,282      | \$101,921,129      | \$97,125,600       | \$93,391,639       | \$90,249,801       |
| <b>EXPENDITURES</b>                  |                    |                    |                    |                    |                    |
| General Fund:                        |                    |                    |                    |                    |                    |
| Instruction                          | \$40,913,290       | \$38,474,467       | \$37,038,633       | \$36,054,920       | \$35,836,566       |
| Undistributed Expenditures           | 66,268,040         | 62,065,393         | 58,100,483         | 53,787,154         | 51,362,223         |
| Capital Outlay                       | <u>1,401,659</u>   | <u>1,785,166</u>   | <u>1,767,331</u>   | <u>3,314,896</u>   | <u>5,565,003</u>   |
| Total Expenditures                   | \$108,582,989      | \$102,325,026      | \$96,906,447       | \$93,156,970       | \$92,763,792       |
| Excess (Deficiency) of Revenues      |                    |                    |                    |                    |                    |
| Over/(Under) Expenditures            | (669,707)          | (403,897)          | 219,153            | 234,669            | (2,513,991)        |
| Other Financing Sources (Uses):      |                    |                    |                    |                    |                    |
| Transfers in                         | 124                | 340                | 56,510             | 412                | 404                |
| Transfers out                        | <u>(1,325,000)</u> | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>           |
| Total other financing sources (uses) | (1,324,876)        | 340                | 56,510             | 412                | 404                |
| Net Change in Fund Balance           | (1,994,583)        | (403,557)          | 275,663            | 235,081            | (2,513,587)        |
| Fund Balance, July 1                 | <u>7,945,960</u>   | <u>8,349,517</u>   | <u>8,073,854</u>   | <u>7,838,773</u>   | <u>10,352,360</u>  |
| Fund Balance, June 30                | <u>\$5,951,377</u> | <u>\$7,945,960</u> | <u>\$8,349,517</u> | <u>\$8,073,854</u> | <u>\$7,838,773</u> |

Source:

U: Unaudited – 2018 Compilation Report

Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis for 2013-2014 through 2016-2017.

### **Capital Leases**

As of June 30, 2018, the Board does not have any capital leases outstanding.

Source: School District

### **Operating Leases**

As of June 30, 2018, the Board has operating leases outstanding with annual payments due through the year ending June 30, 2023, totaling \$1,724,299.89.

Source: School District

### **Short Term Debt**

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

Source: School District

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## Long Term Debt

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

| <u>Fiscal Year Ending</u> | <u>Principal</u>           | <u>Interest</u>            | <u>Total</u>               |
|---------------------------|----------------------------|----------------------------|----------------------------|
| 2019                      | \$4,850,000                | \$2,858,908                | \$7,708,908                |
| 2020                      | 4,995,000                  | 2,202,763                  | 7,197,763                  |
| 2021                      | 5,175,000                  | 2,002,913                  | 7,177,913                  |
| 2022                      | 5,385,000                  | 1,771,450                  | 7,156,450                  |
| 2023                      | 5,610,000                  | 1,524,675                  | 7,134,675                  |
| 2024                      | 5,825,000                  | 1,347,900                  | 7,172,900                  |
| 2025                      | 6,005,000                  | 1,126,244                  | 7,131,244                  |
| 2026                      | 2,080,000                  | 871,950                    | 2,951,950                  |
| 2027                      | 1,600,000                  | 804,750                    | 2,404,750                  |
| 2028                      | 1,600,000                  | 756,750                    | 2,356,750                  |
| 2029                      | 1,600,000                  | 708,750                    | 2,308,750                  |
| 2030                      | 1,600,000                  | 660,750                    | 2,260,750                  |
| 2031                      | 1,600,000                  | 612,750                    | 2,212,750                  |
| 2032                      | 1,600,000                  | 564,750                    | 2,164,750                  |
| 2033                      | 1,600,000                  | 516,750                    | 2,116,750                  |
| 2034                      | 1,600,000                  | 468,750                    | 2,068,750                  |
| 2035                      | 1,625,000                  | 420,375                    | 2,045,375                  |
| 2036                      | 1,650,000                  | 371,250                    | 2,021,250                  |
| 2037                      | 1,650,000                  | 321,750                    | 1,971,750                  |
| 2038                      | 1,650,000                  | 272,250                    | 1,922,250                  |
| 2039                      | 1,650,000                  | 222,750                    | 1,872,750                  |
| 2040                      | 1,650,000                  | 173,250                    | 1,823,250                  |
| 2041                      | 1,650,000                  | 123,750                    | 1,773,750                  |
| 2042                      | 1,650,000                  | 74,250                     | 1,724,250                  |
| 2043                      | <u>1,650,000</u>           | <u>24,750</u>              | <u>1,674,750</u>           |
| <b>TOTALS</b>             | <b><u>\$67,550,000</u></b> | <b><u>\$20,805,177</u></b> | <b><u>\$88,355,177</u></b> |

Source: School District

**Debt Limit of the Board**

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

|   |                    |
|---|--------------------|
| Average Equalized Real Property Valuation<br>(2016, 2017, and 2018) | \$4,514,304,899    |
| <b>School District Debt Analysis</b>                                |                    |
| Permitted Debt Limitation (4% of AEVP)                              | \$180,572,196      |
| Less: Bonds and Notes Authorized and Outstanding                    | <u>111,098,000</u> |
| Remaining Limitation of Indebtedness                                | \$69,474,196       |
| Percentage of Net School Debt to Average Equalized Valuation        | 2.46%              |

Source: 2018 Annual Debt Statement of the Township

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

The following material presents certain economic and demographic information of the Township of North Brunswick (the "Township"), in the County of Middlesex (the "County"), State of New Jersey (the "State").

### **General Information**

The 12.3 square miles of the Township is comprised of a growing number of industrial and commercial firms radiating from the Route 1 and Route 130 interchange and is just south of New Brunswick. It may seem strange to be south of its adjacent City and still be called "North Brunswick," but the Township was formerly embraced with the boundaries of Piscataway and early in the 19th century was referred to as "North Ward of New Brunswick."

Until 1860, New Brunswick was within the limits of the Township, and the town meetings were generally held there. By an act of the Assembly, on February 28, 1860, New Brunswick was separated from the Township.

### **Form of Government**

Effective January 1, 1984, the Township changed its form of government from the Township Committee form to the Mayor Council Administrator Plan, created by N.J.S.A. 40:69A-149.1 *et seq.* Under this plan, the Mayor and six Councilmen are elected at partisan elections for terms of four years and three years, respectively. Council terms are staggered; therefor, an election is held annually in the Township.

The Township Council meets two evenings a month. The first and third Mondays are regular meetings, and the Mondays preceding the regular meetings are work sessions or conference meetings. Both work sessions and regular meetings are open to the public in compliance with New Jersey's Sunshine Law (Open Public Meetings Act). At regular meetings citizens are given an opportunity to speak on proposed ordinances. There is also a time set aside on the meeting agenda so that any citizen may address the Township Council on any matter of concern to him or her. Citizen comment is also solicited at work sessions.

### **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.

### **Employment and Unemployment Comparisons**

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

|                        | <b><u>Total Labor<br/>Force</u></b> | <b><u>Employed<br/>Labor Force</u></b> | <b><u>Total<br/>Unemployed</u></b> | <b><u>Unemployment<br/>Rate</u></b> |
|------------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <b><u>Township</u></b> |                                     |  |                                    |                                     |
| 2017                   | 24,190                              | 23,230                                 | 960                                | 4.0%                                |
| 2016                   | 24,151                              | 23,137                                 | 1,014                              | 4.2%                                |
| 2015                   | 24,084                              | 22,935                                 | 1,149                              | 4.8%                                |
| 2014                   | 23,818                              | 22,468                                 | 1,350                              | 5.7%                                |
| 2013                   | 23,605                              | 21,970                                 | 1,635                              | 6.9%                                |
| <b><u>County</u></b>   |                                     |  |                                    |                                     |
| 2017                   | 442,313                             | 424,201                                | 18,112                             | 4.1%                                |
| 2016                   | 442,068                             | 422,500                                | 19,568                             | 4.4%                                |
| 2015                   | 440,742                             | 418,062                                | 22,680                             | 5.1%                                |
| 2014                   | 436,315                             | 409,691                                | 26,624                             | 6.1%                                |
| 2013                   | 432,108                             | 399,543                                | 32,565                             | 7.5%                                |
| <b><u>State</u></b>    |                                     |  |                                    |                                     |
| 2017                   | 4,518,838                           | 4,309,708                              | 209,123                            | 4.6%                                |
| 2016                   | 4,530,800                           | 4,305,515                              | 225,262                            | 5.0%                                |
| 2015                   | 4,537,231                           | 4,274,685                              | 262,531                            | 5.8%                                |
| 2014                   | 4,527,177                           | 4,221,277                              | 305,900                            | 6.8%                                |
| 2013                   | 4,548,569                           | 4,173,815                              | 374,738                            | 8.2%                                |

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 2016)

|                         | <u>Township</u> | <u>County</u> | <u>State</u> |
|-------------------------|-----------------|---------------|--------------|
| Median Household Income | \$83,205        | \$80,716      | \$73,702     |
| Median Family Income    | 95,333          | 95,823        | 90,757       |
| Per Capita Income       | 34,572          | 35,209        | 37,538       |

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

## Population

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

| <u>Year</u>   | <u>Township</u>   |                 | <u>County</u>     |                 | <u>State</u>      |                 |
|---------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
|               | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> |
| 2016 Estimate | 42,444            | 4.18%           | 837,073           | 3.36%           | 8,958,013         | 1.89%           |
| 2010          | 40,742            | 12.28           | 809,858           | 7.96            | 8,791,894         | 4.49            |
| 2000          | 36,287            | 15.98           | 750,162           | 11.67           | 8,414,350         | 8.85            |
| 1990          | 31,287            | 40.81           | 671,780           | 12.74           | 7,730,188         | 4.96            |
| 1980          | 22,220            | 33.13           | 595,893           | 2.07            | 7,365,001         | 2.75            |
| 1970          | 16,691            | 65.27           | 583,813           | 34.56           | 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>2018<br/>Assessed Valuation</u> | <u>% of Total<br/>Assessed Valuation</u> |
|------------------------------------|------------------------------------|--|
| ER Squibb & Sons Inc.              | \$144,194,700                      | 5.80%                                    |
| Kimco North Brunswick 617 Inc.     | 33,000,000                         | 1.33%                                    |
| Kalikow & Sodikow & Kluvant Trust  | 27,900,000                         | 1.12%                                    |
| Kaplan Associates LLC              | 26,933,000                         | 1.08%                                    |
| Maebrook at Renaissance LLC        | 26,000,000                         | 1.05%                                    |
| North Brunswick Manor              | 23,664,700                         | 0.95%                                    |
| Renaissance Terrace LLC            | 23,515,600                         | 0.95%                                    |
| Levin Properties LLC               | 19,000,000                         | 0.76%                                    |
| Brunswick Circle Developers LLC    | 18,500,000                         | 0.74%                                    |
| North Brunswick Tod Associates LLC | 17,245,000                         | 0.69%                                    |
| <b>Total</b>                       | <b><u>\$359,953,000</u></b>        | <b><u>14.48%</u></b>                     |

Source: Municipal Tax Assessor

### Comparison of Tax Levies and Collections

| <u>Year</u> | <u>Tax Levy</u> | <u>Current Year<br/>Collection</u> | <u>Current Year<br/>% of Collection</u> |
|-------------|-----------------|------------------------------------|---|
| 2018U       | \$136,252,492   | \$136,556,446                      | 100.22%                                 |
| 2017        | 133,808,210     | 133,726,337                        | 99.94%                                  |
| 2016        | 129,973,745     | 129,855,000                        | 99.91%                                  |
| 2015        | 129,659,436     | 129,527,677                        | 99.90%                                  |
| 2014        | 125,710,607     | 125,466,068                        | 99.81%                                  |

Source:

U: Unaudited Annual Financial Statement for 2018  
Annual Audit Reports of the Township for 2014-2017

### Delinquent Taxes and Tax Title Liens

| <u>Year</u> | <u>Amount of Tax<br/>Title Liens</u> | <u>Amount of<br/>Delinquent Tax</u> | <u>Total<br/>Delinquent</u> | <u>% of<br/>Tax Levy</u> |
|-------------|--------------------------------------|-------------------------------------|-----------------------------|--------------------------|
| 2018U       | \$46,814                             | \$9,090                             | \$55,904                    | 0.04%                    |
| 2017        | 37,569                               | 113,066                             | 150,636                     | 0.11%                    |
| 2016        | 413,594                              | 1,626                               | 415,220                     | 0.32%                    |
| 2015        | 392,948                              | 0                                   | 392,948                     | 0.30%                    |
| 2014        | 325,509                              | 140,636                             | 466,145                     | 0.37%                    |

Source:

U: Unaudited Annual Financial Statement for 2018  
Annual Audit Reports of the Township for 2014-2017

### Property Acquired by Tax Lien Liquidation

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2018U       | \$534,281     |
| 2017        | 534,281       |
| 2016        | 161,971       |
| 2015        | 161,971       |
| 2014        | 161,971       |

Source:

U: Unaudited Annual Financial Statement for 2018  
Annual Audit Reports of the Township for 2014-2017

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

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

| <u>Year</u> | <u>Municipal</u> | <u>Local School</u> | <u>County</u> | <u>Total</u> |
|-------------|------------------|---------------------|---------------|--------------|
| 2018        | \$1.356          | \$3.458             | \$0.738       | \$5.552      |
| 2017        | 1.312            | 3.364               | 0.719         | 5.395        |
| 2016        | 1.292            | 3.325               | 0.723         | 5.340        |
| 2015        | 1.267            | 3.253               | 0.729         | 5.249        |
| 2014        | 1.245            | 3.204               | 0.741         | 5.190        |

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

## **Valuation of Property**

| <u>Year</u> | <u>Aggregate Assessed Valuation of Real Property</u> | <u>Aggregate True Value of Real Property</u> | <u>Ratio of Assessed to True Value</u> | <u>Assessed Value of Personal Property</u> | <u>Equalized Valuation</u> |
|-------------|--|--|--|--|----------------------------|
| 2018        | \$2,486,031,800                                      | \$4,580,014,370                              | 54.28%                                 | \$0  | \$4,580,014,370            |
| 2017        | 2,459,647,800  | 4,506,500,183                                | 54.58                                  | 2,983,967                                  | 4,459,288,955              |
| 2016        | 2,459,041,600  | 4,456,400,145                                | 55.18                                  | 2,888,810                                  | 4,488,639,324              |
| 2015        | 2,454,144,800  | 4,485,733,504                                | 54.71                                  | 2,905,820                                  | 4,440,038,688              |
| 2014        | 2,449,361,700  | 4,437,249,457                                | 55.20                                  | 2,789,231                                  | 4,459,213,569              |

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

## **Classification of Ratables**

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

| <u>Year</u> | <u>Vacant Land</u> | <u>Residential</u> | <u>Farm</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Apartments</u> | <u>Total</u>    |
|-------------|--------------------|--------------------|-------------|-------------------|-------------------|-------------------|-----------------|
| 2018        | \$42,898,900       | \$1,565,223,600    | \$1,218,400 | \$398,754,000     | \$271,527,800     | \$206,409,100     | \$2,486,031,800 |
| 2017        | 55,505,800         | 1,543,724,900      | 1,218,400   | 392,856,900       | 264,787,200       | 201,554,600       | 2,459,647,800   |
| 2016        | 51,134,100         | 1,541,110,700      | 1,218,400   | 396,166,900       | 267,856,900       | 201,554,600       | 2,459,041,600   |
| 2015        | 39,881,100         | 1,544,335,100      | 1,218,400   | 380,685,800       | 286,469,800       | 201,554,600       | 2,454,144,800   |
| 2014        | 41,203,600         | 1,535,377,100      | 1,218,400   | 379,262,800       | 290,745,200       | 201,554,600       | 2,449,361,700   |

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

## Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending June 30. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

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

| <u>Anticipated Revenues</u>     | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         | <u>2019</u>         |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund Balance Utilized           | \$3,250,000         | \$2,850,000         | \$3,000,000         | \$3,350,000         | \$3,343,830         |
| Miscellaneous Revenues          | 11,322,030          | 12,174,645          | 11,294,490          | 12,263,572          | 12,753,010          |
| Amount to be Raised by Taxation | <u>30,178,775</u>   | <u>30,577,263</u>   | <u>31,556,212</u>   | <u>32,086,428</u>   | <u>33,903,160</u>   |
| Total Revenue:                  | <u>\$44,750,805</u> | <u>\$45,601,908</u> | <u>\$45,850,702</u> | <u>\$47,700,000</u> | <u>\$50,000,000</u> |
| <br>                            |                     |                     |                     |                     |                     |
| <u>Appropriations</u>           |                     |                     |                     |                     |                     |
| General Appropriations          | \$34,681,456        | \$35,469,722        | \$36,893,606        | \$38,050,938        | \$39,983,351        |
| Operations (Excluded from CAPS) | 2,758,302           | 3,437,172           | 2,258,568           | 2,835,193           | 3,347,732           |
| Capital Improvement Fund        | 387,500             | 331,000             | 317,500             | 250,000             | 264,500             |
| Municipal Debt Service          | 6,290,325           | 5,717,665           | 5,718,718           | 5,885,900           | 5,704,417           |
| Reserve for Uncollected Taxes   | <u>633,222</u>      | <u>646,349</u>      | <u>662,310</u>      | <u>677,969</u>      | <u>700,000</u>      |
| Total Appropriations:           | <u>\$44,750,805</u> | <u>\$45,601,908</u> | <u>\$45,850,702</u> | <u>\$47,700,000</u> | <u>\$50,000,000</u> |

Source: Annual Adopted Budgets of the Township 2015-2019

## 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 June 30.

| <u>Year</u> | <u>Fund Balance - Current Fund</u> |                           |
|-------------|------------------------------------|---------------------------|
|             | <u>Balance</u>                     | <u>Utilized in Budget</u> |
|             | <u>6/30</u>                        | <u>of Succeeding Year</u> |
| 2018U       | \$8,680,733                        | \$3,343,830               |
| 2017        | 7,912,257                          | 3,350,000                 |
| 2016        | 6,074,125                          | 3,000,000                 |
| 2015        | 5,535,880                          | 2,850,000                 |
| 2014        | 5,091,997                          | 3,250,000                 |

U: Unaudited

Source: 2018 Annual Financial Statement and Annual Audit Reports of the Township for 2014-2017 and the 2019 Municipal Budget.

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 June 30.

| <b><u>Fund Balance - Sewer Utility Operating Fund</u></b> |                                |   |
|---|--------------------------------|---|
| <b><u>Year</u></b>  | <b><u>Balance<br/>6/30</u></b> | <b><u>Utilized in Budget<br/>of Succeeding Year</u></b> |
| 2018U   | \$1,685,794                    | \$837,000   |
| 2017  | 2,160,164                      | 1,000,000   |
| 2016  | 2,507,841                      | 1,050,000   |
| 2015  | 2,509,737                      | 475,000   |
| 2014  | 2,590,085                      | 384,000   |

U: Unaudited

Source: 2018 Annual Financial Statement and Annual Audit Reports of the Township for 2014-2017 and the 2019 Municipal Budget.

Water Utility Operating Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Water Utility Operating Fund for the past five (5) fiscal years ending June 30.

| <b><u>Fund Balance - Water Utility Operating Fund</u></b> |                                |   |
|---|--------------------------------|---|
| <b><u>Year</u></b>  | <b><u>Balance<br/>6/30</u></b> | <b><u>Utilized in Budget<br/>of Succeeding Year</u></b> |
| 2018U   | \$2,071,981                    | \$624,000   |
| 2017  | 1,882,639                      | 400,000   |
| 2016  | 1,873,149                      | 400,000   |
| 2015  | 1,636,145                      | 300,000   |
| 2014  | 1,830,258                      | 330,000   |

U: Unaudited

Source: 2018 Annual Financial Statement and Annual Audit Reports of the Township for 2014-2017 and the 2019 Municipal Budget.

**Township Indebtedness as of June 30, 2018**

**General Purpose Debt**

|   |              |
|---|--------------|
| Serial Bonds                              | \$39,034,750 |
| Bond Anticipation Notes                   | 37,000,000   |
| Bonds and Notes Authorized but Not Issued | 5,416,000    |
| Other Bonds, Notes and Loans              | <u>0</u>     |
| Total:                                    | \$81,450,750 |

**Local School District Debt**

|   |                   |
|---|-------------------|
| Serial Bonds                              | \$67,550,000      |
| Temporary Notes Issued                    | 0                 |
| Bonds and Notes Authorized but Not Issued | <u>43,548,000</u> |
| Total:                                    | \$111,098,000     |

**Self-Liquidating Debt**

|   |                   |
|---|-------------------|
| Serial Bonds                              | \$20,646,000      |
| Bond Anticipation Notes                   | 6,980,000         |
| Bonds and Notes Authorized but Not Issued | 4,500,000         |
| Other Bonds, Notes and Loans              | <u>10,971,563</u> |
| Total:                                    | \$43,097,563      |

**TOTAL GROSS DEBT**

**\$235,646,313**

|                            |                   |
|----------------------------|-------------------|
| Less: Statutory Deductions |                   |
| General Purpose Debt       | \$18,702,648      |
| Local School District Debt | 111,098,000       |
| Self-Liquidating Debt      | <u>43,097,563</u> |
| Total:                     | \$172,898,211     |

**TOTAL NET DEBT**

**\$62,748,102**

Source: Annual Debt Statement of the Township.

*[Remainder of Page Intentionally Left Blank]*

**Overlapping Debt (as of June 30, 2018)<sup>4</sup>**

| <b><u>Name of Related Entity</u></b> | <b><u>Related Entity<br/>Debt Outstanding</u></b> | <b><u>Township<br/>Percentage</u></b> | <b><u>Township<br/>Share</u></b> |
|--------------------------------------|---|---------------------------------------|----------------------------------|
| Local School District                | \$111,098,000                                     | 100.00%                               | \$111,098,000                    |
| County                               | 468,226,361                                       | 4.31%                                 | <u>20,171,192</u>                |
| Net Indirect Debt                    |   |                                       | \$131,269,192                    |
| Net Direct Debt                      |   |                                       | <u>62,748,102</u>                |
| Total Net Direct and Indirect Debt   |   |                                       | <b><u>\$194,017,294</u></b>      |

**Debt Limit**

|  |                     |
|--|---------------------|
| Average Equalized Valuation Basis (2015, 2016, 2017)     | \$4,482,877,944     |
| Permitted Debt Limitation (3 1/2%)                       | 156,900,728         |
| Less: Net Debt   | <u>62,748,102</u>   |
| Remaining Borrowing Power                                | <u>\$94,152,626</u> |
| Percentage of Net Debt to Average Equalized Valuation    | 1.400%              |
| Gross Debt Per Capita based on 2010 population of 40,742 | \$5,808             |
| Net Debt Per Capita based on 2010 population of 40,742   | \$1,540             |

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.



**APPENDIX B**

**FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE TOWNSHIP OF  
NORTH BRUNSWICK**

**Governmental Entity Compilation Report –  
Substantially All Disclosures Omitted**

The Honorable President and Members  
of the Board of Education  
Township of North Brunswick  
County of Middlesex  
State of New Jersey

To the Honorable President and Members of the Board:

Report on Financial Statements

Management is responsible for the financial statements of the Board of Education of the Township of North Brunswick, County of Middlesex, State of New Jersey as of June 30, 2018 as follows:

- Governmental Funds – Balance Sheet, Statement of Revenue, Expenditures and Change in Fund Balance
- Proprietary Funds – Statement of Net Position, Statement of Revenue, Expenditures and Change in Fund Balance and Statement of Cash Flows
- Trust and Fiduciary Funds – Statement of Net Position, Statement of Revenue, Expenditures and Change in Fund Balance

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit all the disclosures required by accounting principles generally accepted in the United States of America. If such omitted items and disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.



Gerard Stankiewicz  
Certified Public Accountant  
Public School Accountant #913



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey  
December 26, 2018

**BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(UNAUDITED)**

|  | <u>General<br/>Fund</u>    | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| <b><u>ASSETS</u></b>                       |                            |                                     |                                      |                                  |   |
| Cash and Cash Equivalents                  | \$ 1,882,625               | \$ 86,044                           | \$ 1,495,498                         | \$ 1,325,001                     | \$ 4,789,168                            |
| Cash with Fiscal Agents                    |                            |                                     | 17,568,939                           |                                  | 17,568,939                              |
| Intergovernmental Accounts Receivable      | 1,535,906                  | 514,997                             |                                      |                                  | 2,050,903                               |
| Interfunds Receivable                      | 124                        |                                     |                                      | 168,940                          | 169,064                                 |
| Other Receivables                          | 143,596                    |                                     |                                      |                                  | 143,596                                 |
| Restricted Cash and Cash Equivalents       | <u>3,160,911</u>           |                                     |                                      |                                  | <u>3,160,911</u>                        |
| <b>Total Assets</b>                        | <b><u>\$ 6,723,162</u></b> | <b><u>\$ 601,041</u></b>            | <b><u>\$ 19,064,437</u></b>          | <b><u>\$ 1,493,941</u></b>       | <b><u>\$ 27,882,581</u></b>             |
| <b><u>LIABILITIES AND FUND BALANCE</u></b> |                            |                                     |                                      |                                  |   |
| Liabilities:                               |                            |                                     |                                      |                                  |   |
| Accounts Payable                           | \$ 771,785                 | \$ 246,609                          |                                      |                                  | \$ 1,018,394                            |
| Other Current Liabilities                  |                            |                                     | \$ 40,155                            |                                  | 40,155                                  |
| Intergovernmental Accounts Payable         |                            | 12,098                              |                                      |                                  | 12,098                                  |
| Interfunds Payable                         |                            |                                     | 169,064                              |                                  | 169,064                                 |
| Unearned Revenue                           |                            | <u>342,334</u>                      | <u>25,699</u>                        |                                  | <u>368,033</u>                          |
| <b>Total Liabilities</b>                   | <b><u>\$ 771,785</u></b>   | <b><u>\$ 601,041</u></b>            | <b><u>\$ 234,918</u></b>             |                                  | <b><u>\$ 1,607,744</u></b>              |
| Fund Balances                              |                            |                                     |                                      |                                  |   |
| Restricted:                                |                            |                                     |                                      |                                  |   |
| Capital Reserve Account                    | \$ 3,160,911               |                                     |                                      |                                  | \$ 3,160,911                            |
| Maintenance Reserve                        | 1,500,000                  |                                     |                                      |                                  | 1,500,000                               |
| Debt Service                               |                            |                                     |                                      | \$ 1,493,941                     | 1,493,941                               |
| Capital Projects                           |                            |                                     | \$ 6,852,658                         |                                  | 6,852,658                               |
| Assigned - Committed for Other Purposes    | 350,199                    |                                     | 11,976,861                           |                                  | 12,327,060                              |
| Unassigned                                 | <u>940,267</u>             |                                     |                                      |                                  | <u>940,267</u>                          |
| <b>Total Fund Balances</b>                 | <b><u>\$ 5,951,377</u></b> |                                     | <b><u>\$ 18,829,519</u></b>          | <b><u>\$ 1,493,941</u></b>       | <b><u>\$ 26,274,837</u></b>             |
| <b>Total Liabilities and Fund Balance</b>  | <b><u>\$ 6,723,162</u></b> | <b><u>\$ 601,041</u></b>            | <b><u>\$ 19,064,437</u></b>          | <b><u>\$ 1,493,941</u></b>       | <b><u>\$ 27,882,581</u></b>             |

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Notes to financial statements have been omitted.

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
**(UNAUDITED)**

|   | <u>General</u><br><u>Fund</u> | <u>Special</u><br><u>Revenue</u><br><u>Fund</u> | <u>Capital</u><br><u>Projects</u><br><u>Fund</u> | <u>Debt</u><br><u>Service</u><br><u>Fund</u> | <u>Total</u><br><u>Governmental</u><br><u>Funds</u> |
|---|-------------------------------|---|--|--|---|
| <b><u>REVENUES</u></b>                    |                               |   |  |  |   |
| Local sources:                            |                               |   |  |  |   |
| Local tax levy                            | \$ 78,416,037                 |   |  | \$ 5,366,247                                 | \$ 83,782,284                                       |
| Transportation Fees                       | 129,006                       |   |  |  | 129,006   |
| Interest on Investments                   |                               |   | \$ 169,064                                       |  | 169,064   |
| Miscellaneous                             | <u>536,398</u>                | <u>\$ 130,831</u>                               |  |  | <u>667,229</u>                                      |
| Total - Local Sources                     | \$ 79,081,441                 | \$ 130,831                                      | \$ 169,064                                       | \$ 5,366,247                                 | \$ 84,747,583                                       |
| State Sources                             | 28,636,184                    | 45,537  |  | 10,353                                       | 28,692,074  |
| Federal Sources                           | <u>195,657</u>                | <u>2,631,328</u>                                |  |  | <u>2,826,985</u>                                    |
| Total Revenues                            | <u>\$ 107,913,282</u>         | <u>\$ 2,807,696</u>                             | <u>\$ 169,064</u>                                | <u>\$ 5,376,600</u>                          | <u>\$ 116,266,642</u>                               |
| <b><u>EXPENDITURES</u></b>                |                               |   |  |  |   |
| Current:                                  |                               |   |  |  |   |
| Regular Instruction                       | \$ 27,181,546                 |   |  |  | \$ 27,181,546                                       |
| Special Education Instruction             | 8,858,536                     | \$ 2,088,155                                    |  |  | 10,946,691  |
| Other Special Instruction                 | 3,481,907                     |   |  |  | 3,481,907   |
| Other Instruction                         | 1,391,301                     |   |  |  | 1,391,301   |
| Support Services and Undistributed Costs: |                               |   |  |  |   |
| Tuition                                   | 2,367,233                     |   |  |  | 2,367,233   |
| Student and Instruction Related Services  | 10,725,134                    | 708,886   |  |  | 11,434,020  |
| Other Administrative Services             | 1,745,243                     |   |  |  | 1,745,243   |
| School Administrative Services            | 4,678,844                     |   |  |  | 4,678,844   |
| Plant Operations and Maintenance          | 7,191,380                     |   |  |  | 7,191,380   |
| Pupil Transportation                      | 5,385,377                     |   |  |  | 5,385,377   |
| Employee Benefits                         | 31,881,337                    |   |  |  | 31,881,337  |
| Transfer to Charter Schools               | 2,293,492                     |   |  |  | 2,293,492   |
| Debt Service:                             |                               |   |  |  |   |
| Principal                                 |                               |   |  | \$ 3,875,000                                 | 3,875,000   |
| Interest                                  |                               |   |  | 1,501,600                                    | 1,501,600   |
| Capital Outlay                            | <u>1,401,659</u>              | <u>10,655</u>                                   | <u>\$ 5,340,929</u>                              |  | <u>6,753,243</u>                                    |
| Total Expenditures                        | <u>\$ 108,582,989</u>         | <u>\$ 2,807,696</u>                             | <u>\$ 5,340,929</u>                              | <u>\$ 5,376,600</u>                          | <u>\$ 122,108,214</u>                               |

Notes to financial statements have been omitted.

BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| Excess/(Deficiency) of Revenues<br>Over/(Under) Expenditures | \$ (669,707)            | _____                               | \$ (5,171,865)                       | _____                            | \$ (5,841,572)                          |
| Other Financing Sources/(Uses):                              |                         |                                     |                                      |                                  |   |
| Transfer In/(Out)  |                         |                                     |                                      |                                  |   |
| Transfer from Capital Outlay                                 | (1,325,000)             | _____                               | _____                                | 1,325,000                        | _____                                   |
| Transfer to/from Capital Projects                            | 124                     | _____                               | (169,064)                            | 168,940                          | _____                                   |
| Total Other Financing Sources (Uses)                         | (1,324,876)             | _____                               | (169,064)                            | 1,493,940                        | _____                                   |
| Net Change in Fund Balances                                  | \$ (1,994,583)          | _____                               | \$ (5,340,929)                       | \$ 1,493,940                     | \$ (5,841,572)                          |
| Fund Balance - July 1  | 7,945,960               | _____                               | 24,170,448                           | _____                            | 32,116,408                              |
| Fund Balance - June 30                                       | \$ 5,951,377            | _____                               | \$ 18,829,519                        | \$ 1,493,940                     | \$ 26,274,836                           |

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Notes to financial statements have been omitted.

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**PROPRIETARY FUNDS - ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**  
**(UNAUDITED)**

| <u>ASSETS</u>                      | <u>Food Service</u> | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment</u> | <u>After<br/>School</u> | <u>Total<br/>Enterprise</u> |
|------------------------------------|---------------------|------------------------------|---|-------------------------|-----------------------------|
| Current assets:                    |                     |                              |   |                         |                             |
| Cash and cash equivalents          | \$ 68,134           | \$ 110,121                   | \$ 157,504  |                         | \$ 335,759                  |
| Accounts receivable:               |                     |                              |   |                         |                             |
| State                              | 2,456               |                              |   |                         | 2,456                       |
| Federal                            | 137,151             |                              |   |                         | 137,151                     |
| Other                              | 27,370              | 30,000                       |   |                         | 57,370                      |
| Inventories                        | <u>104,088</u>      |                              |   |                         | <u>104,088</u>              |
| Total current assets               | <u>\$ 339,199</u>   | <u>\$ 140,121</u>            | <u>\$ 157,504</u>                                 |                         | <u>\$ 636,824</u>           |
| Noncurrent assets:                 |                     |                              |   |                         |                             |
| Furniture, machinery and equipment | \$ 627,182          | 211,796                      | \$ 139,787  |                         | \$ 978,765                  |
| Less: accumulated depreciation     | <u>599,371</u>      | <u>25,801</u>                | <u>74,425</u>                                     |                         | <u>699,597</u>              |
| Total noncurrent assets            | <u>\$ 27,811</u>    | <u>\$ 185,995</u>            | <u>\$ 65,362</u>                                  |                         | <u>\$ 279,168</u>           |
| Total assets                       | <u>\$ 367,010</u>   | <u>\$ 326,116</u>            | <u>\$ 222,866</u>                                 |                         | <u>\$ 915,992</u>           |
| <br><u>LIABILITIES</u>             |                     |                              |   |                         |                             |
| Current liabilities:               |                     |                              |   |                         |                             |
| Accounts payable                   |                     |                              | \$ 636  |                         | \$ 636                      |
| Unearned Revenue                   | <u>\$ 25,226</u>    |                              | <u>55,970</u>                                     |                         | <u>81,196</u>               |
| Total liabilities                  | <u>\$ 25,226</u>    |                              | <u>\$ 56,606</u>                                  |                         | <u>\$ 81,832</u>            |
| <br><u>NET POSITION</u>            |                     |                              |   |                         |                             |
| Net investment in capital assets   | \$ 27,810           | \$ 185,995                   | \$ 65,362   |                         | \$ 279,167                  |
| Unrestricted                       | <u>313,974</u>      | <u>140,121</u>               | <u>100,898</u>                                    |                         | <u>554,993</u>              |
| Total net position                 | <u>\$ 341,784</u>   | <u>\$ 326,116</u>            | <u>\$ 166,260</u>                                 |                         | <u>\$ 834,160</u>           |

Notes to financial statements have been omitted.

**BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
PROPRIETARY FUND - ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

|   | Business-Type Activities<br>Enterprise Fund |                              |  |                     | Total<br>Enterprise |
|---|---|------------------------------|--|---------------------|---------------------|
|   | <u>Food Service</u>                         | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment/</u> | <u>After School</u> |                     |
| <b><u>OPERATING REVENUES</u></b>          |   |                              |  |                     |                     |
| Local Sources:                            |   |                              |  |                     |                     |
| Daily sales - reimbursable programs:      |   |                              |  |                     |                     |
| School lunch program                      | \$ 655,425                                  |                              |  |                     | \$ 655,425          |
| School breakfast program                  | 14,235                                      |                              |  |                     | 14,235              |
| School after school snack program         | 26,013                                      |                              |  |                     | 26,013              |
| Daily sales - non-reimbursable programs   | 611,500                                     |                              |  |                     | 611,500             |
| Tuition and services                      |   | \$ 352,486                   | \$ 348,001   | \$ 24,791           | 725,278             |
| Total operating revenues                  | \$ 1,307,173                                | \$ 352,486                   | \$ 348,001   | \$ 24,791           | \$ 2,032,451        |
| <b><u>OPERATING EXPENSES</u></b>          |   |                              |  |                     |                     |
| Cost of sales - reimbursable programs     | \$ 1,317,927                                |                              |  |                     | \$ 1,317,927        |
| Cost of sales - non-reimbursable programs | 309,214                                     |                              |  |                     | 309,214             |
| Salaries                                  | 1,008,669                                   | \$ 257,661                   | \$ 207,726   | \$ 27,062           | 1,501,118           |
| Employee benefits                         | 219,396                                     |                              |  |                     | 219,396             |
| Insurance                                 | 121,214                                     |                              |  |                     | 121,214             |
| Water                                     |   |                              | 800  |                     | 800                 |
| Heat                                      | 30,000                                      |                              | 11,915   |                     | 41,915              |
| Electricity                               | 150,000                                     |                              | 8,218  |                     | 158,218             |
| General Supplies                          |   | 48,455                       | 5,168  |                     | 53,623              |
| Depreciation                              | 6,868                                       | 16,139                       | 11,649   |                     | 34,656              |
| Management Fee                            | 123,893                                     |                              |  |                     | 123,893             |
| Administration Fee                        | 125,820                                     |                              |  |                     | 125,820             |
| Other                                     |   |                              | 12,969   | 500                 | 13,469              |
| Total operating expenses                  | \$ 3,413,001                                | \$ 322,255                   | \$ 258,445   | \$ 27,562           | \$ 4,021,263        |
| Operating income/(loss)                   | \$ (2,105,828)                              | \$ 30,231                    | \$ 89,556  | \$ (2,771)          | \$ (1,988,812)      |

Notes to financial statements have been omitted.

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**PROPRIETARY FUND - ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
**(UNAUDITED)**

|  | Business-Type Activities<br>Enterprise Fund |                              |  |                     |                             |
|--|---|------------------------------|--|---------------------|-----------------------------|
|  | <u>Food Service</u>                         | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment/</u> | <u>After School</u> | <u>Total<br/>Enterprise</u> |
| <b><u>NONOPERATING REVENUES</u></b>              |   |                              |  |                     |                             |
| State sources:                                   |   |                              |  |                     |                             |
| State school lunch program                       | \$ 31,469                                   |                              |  |                     | \$ 31,469                   |
| Federal sources:                                 |   |                              |  |                     |                             |
| National school lunch program                    | 1,246,999                                   |                              |  |                     | 1,246,999                   |
| National breakfast program                       | 454,869                                     |                              |  |                     | 454,869                     |
| School snack program                             | 10,601                                      |                              |  |                     | 10,601                      |
| Food distribution program                        | 293,457                                     |                              |  |                     | 293,457                     |
| Total nonoperating revenues                      | <u>\$ 2,037,395</u>                         |                              |  |                     | <u>\$ 2,037,395</u>         |
| Income/(loss) before contributions and transfers | \$ (68,433)                                 | \$ 30,231                    | \$ 89,556  | \$ (2,771)          | \$ 48,583                   |
| Operating transfers:                             |   |                              |  |                     |                             |
| Writeoff of Prior Year Accounts Receivable       | (33,785)                                    |                              |  |                     | (33,785)                    |
| Intra fund - operating transfer in/(out)         |   |                              | (2,771)  | 2,771               |                             |
| Change in net position                           | \$ (102,218)                                | \$ 30,231                    | \$ 86,785  |                     | \$ 14,798                   |
| Total net position - beginning                   | <u>444,002</u>                              | <u>295,885</u>               | <u>79,475</u>                                      |                     | <u>819,362</u>              |
| Total net position - ending                      | <u>\$ 341,784</u>                           | <u>\$ 326,116</u>            | <u>\$ 166,260</u>                                  |                     | <u>\$ 834,160</u>           |

Notes to financial statements have been omitted.



**BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
PROPRIETARY FUNDS - ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

|  | Business-Type Activities<br>Enterprise Fund |                              |  |                         |                             |
|--|---|------------------------------|--|-------------------------|-----------------------------|
|  | <u>Food Service</u>                         | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment/</u> | <u>After<br/>School</u> | <u>Total<br/>Enterprise</u> |
| <u>Cash Flows from Operating Activities</u>                              |   |                              |  |                         |                             |
| Receipts from Customers  | \$ 1,307,173                                | \$ 338,000                   | \$ 337,492   | \$ 24,791               | \$ 2,007,456                |
| Payments to Employees  | (1,008,669)                                 | (257,660)                    | (208,837)  | (27,062)                | (1,502,228)                 |
| Payments for Employee Benefits   | (219,396)                                   |                              |  |                         | (219,396)                   |
| Payments to Suppliers  | (1,932,948)                                 | (48,455)                     | (38,435)   | (500)                   | (2,020,338)                 |
| Payment for Management Fee   | (123,893)                                   |                              |  |                         | (123,893)                   |
| Payment for Administrative Fee   | (125,820)                                   |                              |  |                         | (125,820)                   |
| Net Cash Provided by/(Used for) Operating Activities                     | <u>\$ (2,103,553)</u>                       | <u>\$ 31,885</u>             | <u>\$ 90,220</u>                                   | <u>\$ (2,771)</u>       | <u>\$ (1,984,219)</u>       |
| <u>Cash Flows from Noncapital Financing Activities</u>                   |   |                              |  |                         |                             |
| State Sources  | \$ 33,632                                   |                              |  |                         | \$ 33,632                   |
| Federal Sources  | 1,930,864                                   |                              |  |                         | 1,930,864                   |
| Operating Transfers to Other Funds - Intrafunds                          |   |                              | \$ (2,771)   | \$ 2,771                |                             |
| Net Cash Provided by/(Used for) Noncapital Financing Activities          | <u>\$ 1,964,496</u>                         |                              | <u>\$ (2,771)</u>                                  | <u>\$ 2,771</u>         | <u>\$ 1,964,496</u>         |
| <u>Cash Flows from Capital and Related Financing Activities:</u>         |   |                              |  |                         |                             |
| Purchase of Capital Assets   | \$ _____                                    | \$ (36,250)                  |  |                         | \$ (36,250)                 |
| Net Cash Provided by/(Used for) Capital and Related Financing Activities | <u>\$ _____</u>                             | <u>\$ (36,250)</u>           |  |                         | <u>\$ (36,250)</u>          |
| Net Increase/(Decrease) in Cash and Cash Equivalents                     | \$ (139,057)                                | \$ (4,365)                   | \$ 87,449  |                         | \$ (55,973)                 |
| Balances - Beginning of Year   | 207,191                                     | 114,486                      | 70,055   |                         | 391,732                     |
| Balances - End of Year   | <u>\$ 68,134</u>                            | <u>\$ 110,121</u>            | <u>\$ 157,504</u>                                  |                         | <u>\$ 335,759</u>           |

Notes to financial statements have been omitted.

**BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
PROPRIETARY FUNDS - ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

|   | Business-Type Activities<br>Enterprise Fund |                         |   |                          |                              |
|---|---|-------------------------|---|--------------------------|------------------------------|
|   | Food Service                                | School<br>Facilities    | Integrated<br>Pre-K/Summer<br>Enrichment/ | After<br>School          | Total<br>Enterprise          |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used)<br><u>by Operating Activities</u> |   |                         |   |                          |                              |
| Operating Gain/(Loss)   | \$ <u>(2,105,828)</u>                       | \$ <u>30,231</u>        | \$ <u>89,556</u>                          | \$ <u>(2,771)</u>        | \$ <u>(1,988,812)</u>        |
| Adjustments to Reconcile Operating Loss to Cash Provided/(Used)<br>by Operating Activities:             |   |                         |   |                          |                              |
| Depreciation  | \$ 6,868                                    | \$ 16,139               | \$ 11,649                                 |                          | \$ 34,656                    |
| Change in Assets and Liabilities:   |   |                         |   |                          |                              |
| (Increase)/Decrease in Accounts Receivable  | (15,535)                                    | (14,485)                |   |                          | (30,020)                     |
| (Increase) in Inventories   | 12,217                                      |                         |   |                          | 12,217                       |
| Increase in Accounts Payable  |   |                         | (475)                                     |                          | (475)                        |
| Increase/(Decrease) in Unearned Revenue   | <u>(1,275)</u>                              |                         | <u>(10,510)</u>                           |                          | <u>(11,785)</u>              |
| Total Adjustments   | \$ <u>2,275</u>                             | \$ <u>1,654</u>         | \$ <u>664</u>                             |                          | \$ <u>4,593</u>              |
| Net Cash Provided by/(Used for) by Operating Activities   | \$ <u><u>(2,103,553)</u></u>                | \$ <u><u>31,885</u></u> | \$ <u><u>90,220</u></u>                   | \$ <u><u>(2,771)</u></u> | \$ <u><u>(1,984,219)</u></u> |

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Notes to financial statements have been omitted.

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**  
**(UNAUDITED)**

|                                      | <u>Trust<br/>Funds</u>             | <u>Agency<br/>Fund</u>             | <u>Total Fiduciary<br/>Funds</u> |
|--------------------------------------|------------------------------------|------------------------------------|----------------------------------|
| <u>ASSETS</u>                        |                                    |                                    |                                  |
| Cash and Cash Equivalents            | \$ <u>49,191</u>                   | \$ <u>541,006</u>                  | \$ <u>590,197</u>                |
| Total Assets                         | \$ <u><u>49,191</u></u>            | \$ <u><u>541,006</u></u>           | \$ <u><u>590,197</u></u>         |
| <u>LIABILITIES</u>                   |                                    |                                    |                                  |
| Payable to Student Groups            |                                    | \$ 347,322                         | \$ 347,322                       |
| Payroll Deductions and Withholdings  | <u>                    </u>        | <u>193,684</u>                     | <u>193,684</u>                   |
| Total Liabilities                    | <u><u>                    </u></u> | \$ <u><u>541,006</u></u>           | \$ <u><u>541,006</u></u>         |
| <u>NET POSITION</u>                  |                                    |                                    |                                  |
| Reserved - Payable to Student Groups | \$ <u>49,191</u>                   | <u>                    </u>        | \$ <u>49,191</u>                 |
| Total Net Position                   | \$ <u><u>49,191</u></u>            | <u><u>                    </u></u> | \$ <u><u>49,191</u></u>          |

Notes to financial statements have been omitted.

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**STATEMENT OF CHANGE IN NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**  
**(UNAUDITED)**

|  | <u>Total<br/>Fiduciary Funds</u>  |
|--|-----------------------------------|
|  | <u>Scholarship<br/>Trust Fund</u> |
| <u>DEDUCTIONS</u>                          |                                   |
| Scholarships Awarded                       | \$ <u>6,044</u>                   |
| Total Deductions                           | \$ <u>6,044</u>                   |
| Change in Net Position                     | \$ (6,044)                        |
| Total Net Position - Beginning of the Year | \$ <u>55,235</u>                  |
| Total Net Position - Ending of the Year    | \$ <u><u>49,191</u></u>           |

Notes to financial statements have been omitted.

**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2017**

## **INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
North Brunswick Township Board of Education  
County of Middlesex, New Jersey

### **Report on the Financial Statement**

We have audited the accompanying financial statements of the governmental activities, the business type activities each major fund and the aggregate remaining fund information of the Board of Education of the North Brunswick Township School District, County of Middlesex, State of New Jersey, as of and for the year ended June 30, 2017 and the related Notes to 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 an opinion 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; the standards applicable to financial audits contained in *Government 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

**INDEPENDENT AUDITOR'S REPORT**  
**(CONTINUED)**

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, business type activities each major fund and the aggregate remaining fund information of the Board of Education of the North Brunswick Township School District, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information and schedule of the District's proportionate share of the net pension liability – PERS, schedule of District contributions, schedule of the State's proportionate share of the net pension liability associated with the District – TPAF and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Brunswick Township School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by US Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT**  
**(CONTINUED)**

The accompanying Combining and Individual Fund Financial Statements, Long-term Debt Schedules and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Combining and Individual Fund Financial Statements, Long-term Debt Schedules and the Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017, on our consideration of the Board of Education of the North Brunswick Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report solely 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 the effectiveness on the North Brunswick Township School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Brunswick Township School District internal control over financial reporting compliance.



Gerard Stankiewicz  
Certified Public Accountant  
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey  
November 2, 2017



# NORTH BRUNSWICK TOWNSHIP PUBLIC SCHOOLS

Administrative Offices:  
Maple Meade School Building, Old Georges Road  
Post Office Box 6016  
North Brunswick, N.J. 08902  
Tele. (732) 289-3000

District Web Site: [www.nbtschools.org](http://www.nbtschools.org)

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### UNAUDITED

#### Management's Discussion and Analysis

The discussion and analysis of North Brunswick Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34- Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in MD&A. The District has elected to prepare comparative data which includes prior year's financial statements.

#### Overview of Financial Statements

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and supplementary information and other information in addition to the basic financial statements themselves.

#### Financial Highlights

Key financial highlights for 2016-2017 are as follows:

- General revenues accounted for \$125,581,641 in revenue or 95.09% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and accounted for \$6,481,089 or 4.91% to total revenues of \$132,062,730.
- Total net position of governmental activities decreased by \$1,608,575.
- The School District had \$133,570,814 in expenses, of which only \$6,481,089 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes of \$81,847,325 along with Federal and State aid were adequate to provide for these programs.
- The Governmental – General Fund had \$101,921,129 in revenues and \$102,325,026 in expenditures. The General Fund's fund balance decreased \$403,557 compared to 2016.

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

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

*The Statement of Net Position and Statement of Activities* provide information about the activities of the 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. In the case of the North Brunswick School District, the General Fund is by far the most significant.

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

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

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Comparative Statement of Net Position and the Comparative Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and change to those position. 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 has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Comparative Statement of Net Position and the Comparative Statement of Activities, the School District is divided into two 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 and services provided. The Food Service enterprise fund is reported as a business activity. Other Business Type Activities are school facilities, integrated Pre-K, Summer Enrichment and After School.

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

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund, special revenue fund and debt service fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 29-33 of this report.

### **Proprietary Funds**

The District maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of its food service program, child care initiative, preschool enrichment and outside organization use of facilities. The basic proprietary fund financial statements can be found on pages 34-38 of this report.

## **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District uses agency funds to account for resources held for student activities and groups and payroll related liabilities. The fiduciary fund financial statements can be found on pages 39-40 of this report.

## **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 41-87 of this report.

## **Other Information**

Combining fund statements can be found on pages 29-40 and schedules on pages 88-114 of this report.

## **The School District as a Whole**

Recall that 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 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.

The Statement of Net Position provides the financial perspective of the District as a whole. Table 1 provides a comparative summary of the School District's net position for 2017 and 2016.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred inflows and outflows and liabilities of the District, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The Government-wide financial statements can be found on pages 27 and 28 of this report.

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

Table 1 provides a comparative summary of the School District's net position for 2017 and 2016.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,681,274 at the close of fiscal 2017. The following table provides a summary of net position at June 30, 2017 and 2016 relating to the District's governmental and business-type activities:

**Table 1 – Comparative Summary of Net Position**

|                                       | <u>Governmental Activities</u> |                       | <u>Business-Type Activities</u> |                     | <u>Total School District</u> |                       |
|---------------------------------------|--------------------------------|-----------------------|---------------------------------|---------------------|------------------------------|-----------------------|
|                                       | <u>2016-2017</u>               | <u>2015-2016</u>      | <u>2016-2017</u>                | <u>2015-2016</u>    | <u>2016-2017</u>             | <u>2015-2016</u>      |
| <b>Assets</b>                         |                                |                       |                                 |                     |                              |                       |
| Current and other assets              | \$ 14,443,082                  | \$ 9,974,734          | \$ 635,876                      | \$ 1,362,563        | \$ 15,078,958                | \$ 11,337,297         |
| Capital assets, net                   | <u>111,276,762</u>             | <u>102,776,092</u>    | <u>277,577</u>                  | <u>128,124</u>      | <u>111,554,339</u>           | <u>102,904,216</u>    |
| Total Assets                          | <u>\$ 125,719,844</u>          | <u>\$ 112,750,826</u> | <u>\$ 913,453</u>               | <u>\$ 1,490,687</u> | <u>\$ 126,633,297</u>        | <u>\$ 114,241,513</u> |
| <b>Deferred outflows of resources</b> |                                |                       |                                 |                     |                              |                       |
| Loss on Defeasance of Bonds           | \$ 2,498,888                   | \$ 2,908,012          |                                 |                     | \$ 2,498,888                 | \$ 2,908,012          |
| Pension                               | <u>10,684,413</u>              | <u>4,886,345</u>      |                                 |                     | <u>10,684,413</u>            | <u>4,886,345</u>      |
| Total Deferred outflows of resources  | <u>\$ 13,183,301</u>           | <u>\$ 7,794,357</u>   |                                 |                     | <u>\$ 13,183,301</u>         | <u>\$ 7,794,357</u>   |
| <b>Liabilities</b>                    |                                |                       |                                 |                     |                              |                       |
| Current and other liabilities         | \$ 19,219,454                  | \$ 7,784,821          | \$ 94,091                       | \$ 413,045          | \$ 19,313,545                | \$ 8,197,866          |
| Net pension liability                 | 34,812,158                     | 26,250,050            |                                 |                     | 34,812,158                   | 26,250,050            |
| Long-term liabilities outstanding     | <u>41,845,705</u>              | <u>41,406,209</u>     |                                 |                     | <u>41,845,705</u>            | <u>41,406,209</u>     |
| Total Liabilities                     | <u>\$ 95,877,317</u>           | <u>\$ 75,441,080</u>  | <u>\$ 94,091</u>                | <u>\$ 413,045</u>   | <u>\$ 95,971,408</u>         | <u>\$ 75,854,125</u>  |
| <b>Deferred inflow of resources</b>   |                                |                       |                                 |                     |                              |                       |
| Pension                               | <u>\$ 163,916</u>              | <u>\$ 633,616</u>     |                                 |                     | <u>\$ 163,916</u>            | <u>\$ 633,616</u>     |
| <b>Net Position</b>                   |                                |                       |                                 |                     |                              |                       |
| Net investment in capital assets      | \$ 64,422,276                  | \$ 62,963,514         | \$ 277,577                      | \$ 128,124          | \$ 64,699,853                | \$ 63,091,638         |
| Restricted                            | 4,312,604                      | 5,602,959             | -                               |                     | 4,312,604                    | 5,602,959             |
| Unrestricted (deficit)                | <u>(25,872,968)</u>            | <u>(24,095,986)</u>   | <u>541,785</u>                  | <u>949,518</u>      | <u>(25,331,183)</u>          | <u>(23,146,468)</u>   |
| Total Net Position                    | <u>\$ 42,861,912</u>           | <u>\$ 44,470,487</u>  | <u>\$ 819,362</u>               | <u>\$ 1,077,642</u> | <u>\$ 43,681,274</u>         | <u>\$ 45,548,129</u>  |

The District's combined net position were \$43,681,274 on June 30, 2017. This is an decrease of \$1,866,856 or 4.10% from the prior year.

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

Capital assets, net increased from the prior year due to the amount of new additions associated with the District's capital projects having exceeded the amount of depreciation of capital assets in the current year.

Long-term liabilities decreased due to the scheduled payment of principal on debt.

Restricted net position decreased mainly due to the net decrease in the capital reserve account of \$1,281,355.

Unrestricted net position decreased mainly due the reclassifying funds to the capital resources in the amount of \$1,290,355 and an increase in the pension liability. General fund encumbrances at June 30, 2016 totaled \$232,012 as compared with \$71,608 at June 30, 2017.

Table 2 shows the comparative changes in net position from fiscal year 2017 and 2016.

**Table 2 – Comparative Changes in Net Position**

|   | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                     | <u>Total School District</u> |                      |
|---|--------------------------------|----------------------|---------------------------------|---------------------|------------------------------|----------------------|
|   | <u>2016-2017</u>               | <u>2015-2016</u>     | <u>2016-2017</u>                | <u>2015-2016</u>    | <u>2016-2017</u>             | <u>2015-2016</u>     |
| <b>Revenues:</b>                            |                                |                      |                                 |                     |                              |                      |
| Program Revenues:                           |                                |                      |                                 |                     |                              |                      |
| Charges for Services                        | \$ 128,452                     | \$ 132,160           | \$ 2,013,866                    | \$ 2,006,365        | \$ 2,142,318                 | \$ 2,138,525         |
| Operating Grants and Contributions          | 2,443,869                      | 2,391,375            | 1,894,902                       | 1,838,495           | 4,338,771                    | 4,229,870            |
| General Revenue:                            |                                |                      |                                 |                     |                              |                      |
| Property Taxes                              | 81,847,325                     | 79,925,558           |                                 |                     | 81,847,325                   | 79,925,558           |
| Federal and State Aid                       | 43,096,284                     | 34,192,622           |                                 |                     | 43,096,284                   | 34,192,622           |
| Miscellaneous                               | 638,032                        | 460,339              |                                 |                     | 638,032                      | 460,339              |
| Total Revenue                               | <u>128,153,962</u>             | <u>117,102,054</u>   | <u>3,908,768</u>                | <u>3,844,860</u>    | <u>132,062,730</u>           | <u>120,946,914</u>   |
| <b>Expenses:</b>                            |                                |                      |                                 |                     |                              |                      |
| Instruction                                 | 72,517,231                     | 65,201,469           |                                 |                     | 72,517,231                   | 65,201,469           |
| Tuition                                     | 2,431,882                      | 2,684,498            |                                 |                     | 2,431,882                    | 2,684,498            |
| Student and Instruction<br>Related Services | 17,350,827                     | 15,469,731           |                                 |                     | 17,350,827                   | 15,469,731           |
| School Administration                       | 8,054,630                      | 7,330,607            |                                 |                     | 8,054,630                    | 7,330,607            |
| General Administration                      | 2,998,838                      | 2,669,144            |                                 |                     | 2,998,838                    | 2,669,144            |
| Operation and Maintenance<br>of Facilities  | 12,996,502                     | 11,774,688           |                                 |                     | 12,996,502                   | 11,774,688           |
| Pupil Transportation                        | 9,229,365                      | 8,408,418            |                                 |                     | 9,229,365                    | 8,408,418            |
| Interest on Debt                            | 2,126,318                      | 2,124,370            |                                 |                     | 2,126,318                    | 2,124,370            |
| Charter Schools                             | 1,731,185                      | 1,213,693            |                                 |                     | 1,731,185                    | 1,213,693            |
| Business Type Actives                       |                                |                      | 4,134,036                       | 3,933,705           | 4,134,036                    | 3,933,705            |
| Total Expenses                              | <u>129,436,778</u>             | <u>116,876,618</u>   | <u>4,134,036</u>                | <u>3,933,705</u>    | <u>133,570,814</u>           | <u>120,810,323</u>   |
| Special and Extraordinary Items, Net        | <u>(325,759)</u>               | <u>622,031</u>       | <u>(33,013)</u>                 |                     | <u>(358,772)</u>             | <u>622,031</u>       |
| Change in Net Position                      | <u>\$ (1,608,575)</u>          | <u>\$ 847,467</u>    | <u>\$ (258,281)</u>             | <u>\$ (88,845)</u>  | <u>\$ (1,866,856)</u>        | <u>\$ 758,622</u>    |
| Net Position - beginning                    | <u>44,470,487</u>              | <u>43,623,020</u>    | <u>1,077,642</u>                | <u>1,166,487</u>    | <u>45,548,129</u>            | <u>44,789,507</u>    |
| Net Position - ending                       | <u>\$ 42,861,912</u>           | <u>\$ 44,470,487</u> | <u>\$ 819,361</u>               | <u>\$ 1,077,642</u> | <u>\$ 43,681,273</u>         | <u>\$ 45,548,129</u> |

## **General Fund Budgetary Highlights**

The District budget is prepared according to New Jersey Statutes. The most significant budgeted fund is the general fund. During the fiscal year, there were several differences between the original budget and the final amended budget as a result of transfers being applied to certain line items. These transfers were made between line items as part of the normal process as permitted by State guidelines. Readers should refer to Section C of the financial report for comparisons between actual and budgeted amounts.

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

### **Expenditures**

- The modified budget for regular programs – instruction increased from the original budget by \$512,246 or 2.03% as a result of an increase in grade level 1-5 and 9-12 salaries.
- The modified budget for undistributed expenditures – instruction decreased from the original budget by \$905,571 or 1.29% as a result of a decrease in the amount of funds required for health benefits.
- The modified budget for undistributed expenditures – other operations and maintenance of plant decreased from the original budget by \$151,268 or 2.23% primarily as a result of additional cost savings realized by the District on their utilities expenditures.
- The modified budget for facilities acquisition and construction services exceeded the original budget by \$41,526 or 2.29% most as a result of prior year encumbrances rolling forward into the current year as a result of the timing of when the expenditures were incurred for ongoing projects related to the high school classroom expansion.

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

### **Revenues**

- Actual miscellaneous revenue was in excess of the modified budgeted amount by approximately \$341,061 or 301.82% as a result mostly of a refund of prior year expenditures.

### **Expenditures**

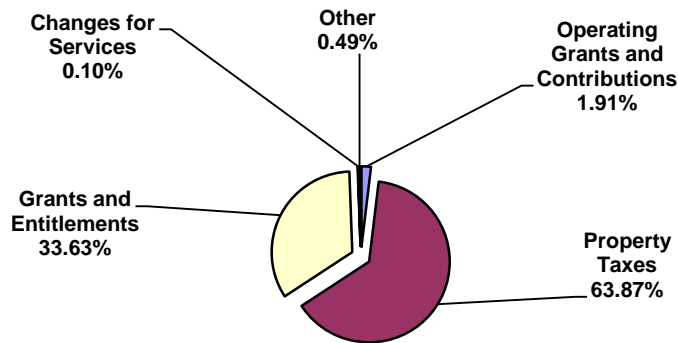
- The actual amount expended regular programs – instruction were less than the final budget by approximately \$77,376 or 2.01% as a result mostly of planned expenditures for special education and regular programs undistributed.
- The actual amounts expended for undistributed expenditures – instructions staff training of services were less than the final budget by approximately \$265,305 or 3.01% as a result of the District's planned expenditures that did not materialize.



**Governmental Activities**

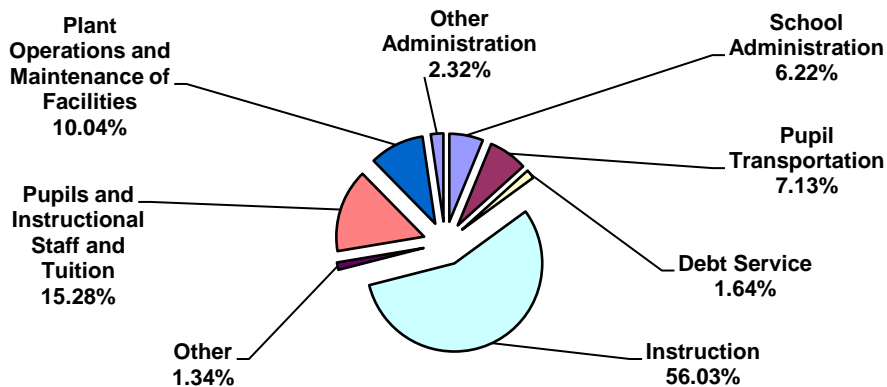
The unique nature of property taxes in New Jersey creates the legal requirement to annually seek voter approval for the School District operations. Property taxes of \$81,847,325 made up 63.87% of revenue for governmental activities for the North Brunswick School District for fiscal year 2017. Federal, state and local grants of \$43,096,284 accounted for another 33.63% of revenue. The District's total revenues were \$128,153,962 for the year ended June 30, 2017.

**Revenue for Fiscal Year 2017**



**Expenses for Fiscal Year 2017**

The total cost of all programs and services was \$129,436,778.



## Business-Type Activities

### Food Service

- Revenues for the District's business-type activities for the food service program are comprised of charges for services and federal and state reimbursements.
- Food service expenditures exceeded revenues by \$110,684.
- Charges for services represent \$1,378,611 or 42.11% of revenue. This represents amounts paid by patrons for daily food service, as well as special functions.
- Federal and state reimbursement for meals, including payments for free and reduced priced lunches and donated commodities was \$1,894,902 or 57.89% of revenue.

### Other

The other business type activities – school facilities, integrated pre-K, after school enrichment and summer enrichment had combined revenue of \$635,255 and total expenses of \$749,839 resulting in a net loss of \$114,584.

## Governmental Activities

The Comparative 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 - Comparative Statement of Activities**

|   | Total Cost of Services |                       |               | Net Cost of Services  |                       |               |
|---|------------------------|-----------------------|---------------|-----------------------|-----------------------|---------------|
|   | 2016-2017              | 2015-2016             | % Change      | 2016-2017             | 2015-2016             | % Change      |
| Regular Instruction                             | \$ 46,283,220          | \$ 42,406,923         | 9.14%         | \$ 46,283,220         | \$ 42,406,923         | 9.14%         |
| Special Education                               | 18,877,429             | 16,587,884            | 13.80%        | 16,664,655            | 14,449,222            | 15.33%        |
| Other Special Education                         | 5,011,949              | 4,204,642             | 19.20%        | 5,011,949             | 4,204,642             | 19.20%        |
| Other Instruction                               | 2,344,633              | 2,002,021             | 17.11%        | 2,344,633             | 2,002,021             | 17.11%        |
| Tuition   | 2,431,882              | 2,684,498             | -9.41%        | 2,417,591             | 2,653,216             | -8.88%        |
| Student and Instruction<br>Related Services     | 17,350,827             | 15,469,731            | 12.16%        | 17,119,732            | 15,217,018            | 12.50%        |
| General and Business<br>Administrative Services | 2,998,838              | 2,669,144             | 12.35%        | 2,998,838             | 2,669,144             | 12.35%        |
| School Administrative Services                  | 8,054,630              | 7,330,606             | 9.88%         | 8,054,630             | 7,330,606             | 9.88%         |
| Plant Operations and<br>Maintenance             | 12,996,502             | 11,774,688            | 10.38%        | 12,996,502            | 11,774,688            | 10.38%        |
| Pupil Transportation                            | 9,229,365              | 8,408,418             | 9.76%         | 9,115,204             | 8,307,540             | 9.72%         |
| Charter Schools                                 | 1,731,185              | 1,213,693             | 42.64%        | 1,731,185             | 1,213,693             | 42.64%        |
| Interest and Fiscal Charges                     | 2,126,318              | 2,124,370             | 0.09%         | 2,126,318             | 2,124,370             | 0.09%         |
| <b>Total Expenses</b>                           | <b>\$ 129,436,778</b>  | <b>\$ 116,876,618</b> | <b>10.75%</b> | <b>\$ 126,864,457</b> | <b>\$ 114,353,083</b> | <b>10.94%</b> |

Regular 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 operations include expenses associated with administrative and financial supervision of the District.

Plant operations 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 school activities, as provided by State law.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the School district.

**The School District's Funds**

All governmental funds (i.e., general fund, special revenue fund, capital projects 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 \$109,963,605 and expenditures were \$121,321,123, which included costs for land acquisition of \$10,916,221.

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 comparative summary of the revenues of the general fund, special revenue fund and debt service fund for the fiscal years ended June 30, 2017 and June 30, 2016, and the amount of increase and decreases in relation to prior year revenues.

**Comparative Summary of Revenues**

| Revenue         | 2016-2017             |                     | 2015-2016             |                     | Increase/<br>(Decrease)<br>from 2015-2016<br>to 2016-2017 |
|-----------------|-----------------------|---------------------|-----------------------|---------------------|---|
|                 | Amount                | Percent<br>of Total | Amount                | Percent<br>of Total |   |
| Local Sources   | \$ 82,534,386         | 75.06%              | \$ 80,342,249         | 76.43%              | \$ 2,192,137  |
| State Sources   | 24,676,744            | 22.44%              | 22,162,945            | 21.09%              | 2,513,799   |
| Federal Sources | 2,752,475             | 2.50%               | 2,608,803             | 2.48%               | 143,672   |
|                 | <u>\$ 109,963,605</u> | <u>100.00%</u>      | <u>\$ 105,113,997</u> | <u>100.00%</u>      | <u>\$ 4,849,608</u>                                       |

Local revenues increased by \$2,192,137. The increase in local revenue was due to an increase in the tax levy for 2016-2017, of \$1,921,767 offset by a decrease in miscellaneous revenues.

Federal source revenues increased by \$143,672 primarily due to an increase Title I Part D and I.D.E.A. Part B Basic.

State sources revenue increased \$2,513,799 due mostly to an increase in on-behalf pension payments and offset with an increase in other state aid in the General Fund.

The following schedule presents a comparative summary of general fund, special revenue fund and debt service fund expenditures for the fiscal years ended June 30, 2017 and June 30, 2016, and the increases and decreases in relation to prior year amounts.

### Comparative Summary of Expenditures

| Expenditures               | 2016-2017             |                     | 2015-2016             |                     | Increase/<br>(Decrease)<br>from 2015-2016<br>to 2016-2017 |
|----------------------------|-----------------------|---------------------|-----------------------|---------------------|---|
|                            | Amount                | Percent<br>of Total | Amount                | Percent<br>of Total |   |
| Current Expenses:          |                       |                     |                       |                     |   |
| Instruction                | \$ 40,687,241         | 36.85%              | \$ 39,177,295         | 37.34%              | \$ 1,509,946  |
| Undistributed Expenditures | 60,832,308            | 55.09%              | 57,385,490            | 54.69%              | 3,446,818   |
| Capital Outlay             | 1,785,166             | 1.63%               | 1,767,331             | 1.68%               | 17,835  |
| Charter Schools            | 1,731,185             | 1.57%               | 1,213,693             | 1.16%               | 517,492   |
| Debt Service:              |                       |                     |                       |                     |   |
| Principal                  | 3,735,000             | 3.38%               | 3,600,000             | 3.43%               | 135,000   |
| Interest                   | 1,634,100             | 1.48%               | 1,779,600             | 1.70%               | (145,500)   |
|                            | <u>\$ 110,405,000</u> | <u>100.00%</u>      | <u>\$ 104,923,409</u> | <u>100.00%</u>      | <u>\$ 5,481,591</u>                                       |

Changes in expenditures were the results of varying factors. Current expense increased due to increased personnel and benefits costs, additional students and capital projects.

### General Fund Budgeting Highlights

The School District's budget is prepared in accordance with New Jersey Law, and is based on accounting for certain transactions on a cash basis of receipts, disbursements and encumbrances. The most significant fund is the General Fund.

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

### Capital Assets

At the end of the fiscal year 2017, the School District had \$157,374,844 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

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

|   | Governmental Activities |                       | Business-Type Activities |                   | Total School District |                       |
|---|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|
|   | 2016-2017               | 2015-2016             | 2016-2017                | 2015-2016         | 2016-2017             | 2015-2016             |
| Land  | \$ 10,865,232           | \$ 14,000             |                          |                   | \$ 10,865,232         | \$ 14,000             |
| Building and Building Improvements          | 97,155,086              | 98,976,911            |                          |                   | 97,155,086            | 98,976,911            |
| Machinery and Equipment                     | 3,256,444               | 3,785,181             | \$ 277,578               | \$ 128,124        | 3,534,022             | 3,913,305             |
| Total Capital Assets - Net of Depreciations | <u>\$ 111,276,762</u>   | <u>\$ 102,776,092</u> | <u>\$ 277,578</u>        | <u>\$ 128,124</u> | <u>\$ 111,554,340</u> | <u>\$ 102,904,216</u> |

Refer to Notes to Financial Statements (Note 6) for more detailed information.

Overall capital assets increased by \$8,500,670 from fiscal year 2016 to fiscal year 2017. The increase in capital assets is due to the acquisition of land as a result of a voter approved referendum to construct a new middle school.

### Debt Administration

At the end of the fiscal year 2017, the School District had noncurrent outstanding debt as follows:

**Table 5 – Debt Administration**

|                      | June 30,             |                      |
|----------------------|----------------------|----------------------|
|                      | 2017                 | 2016                 |
| Compensated Absences | \$ 3,321,882         | \$ 3,202,651         |
| Serial Bonds         | <u>36,425,000</u>    | <u>40,160,000</u>    |
| Totals               | <u>\$ 39,746,882</u> | <u>\$ 43,362,651</u> |

Refer to Notes to Financial Statements (Note 7) for more detailed information.

# NORTH BRUNSWICK TOWNSHIP PUBLIC SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

### UNAUDITED – (CONTINUED)

#### For the Future

The school district is proud of the support that the community has demonstrated throughout the past year. In December 2016, the community approved a \$77.4 million referendum to address the district's overcrowded schools. A new 7th and 8th grade middle school will be built as well as renovation to the current Linwood Middle School. The construction project will allow the district to move its Early Childhood Center from a leased school in Milltown back to a renovation section of Linwood. The board is seeking relief for its current overcrowded schools as well as the flexibility of meeting the projected increases in enrollment due to the approved Transit Village that is currently being built on the former Johnson & Johnson property.

State Aid and Charter Schools are other areas of concerns. The district is substantially underfunded according to the School Funding Reform Act (SFRA) formula and is spending below the adequacy amount determined by the New Jersey Department of Education. Charter Schools have tripled their enrollment by recruiting selective students to fill out their rosters. This expense has had a detrimental impact on the district's budget.

The North Brunswick Township School District has committed itself to financial excellence for many years. The district systems for financial planning, budgeting, and internal financial controls are well tested and highly regarded. The school district is unwavering in its practice of sound fiscal management to meet the challenges of the future.


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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions regarding this report or if additional information is needed, kindly contact the School Business Administrator's Office at the North Brunswick Township School District, P.O. Box 6016, North Brunswick Township, NJ 08902.

Respectfully submitted,



Dr. Brian Zychowski  
Superintendent of Schools



Dr. Brian Falkowski  
Interim School Business Administrator



Alex Benanti  
Assistant Business Administrator/Board Secretary

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**STATEMENT OF NET POSITION**  
JUNE 30, 2017

|  | <u>Governmental</u><br><u>Activities</u> | <u>Business-Type</u><br><u>Activities</u> | <u>Total</u>          |
|--|--|---|-----------------------|
| <b><u>ASSETS</u></b>                         |  |   |                       |
| Cash and Cash Equivalents                    | \$ 7,094,573                             | \$ 391,732                                | \$ 7,486,305          |
| Receivables - Net                            | 3,035,905                                | 151,873                                   | 3,187,778             |
| Inventory                                    |  | 92,271                                    | 92,271                |
| Restricted Assets:                           |  |   |                       |
| Cash and Cash Equivalents                    | 4,312,604                                |   | 4,312,604             |
| Capital Assets, Net                          | <u>111,276,762</u>                       | <u>277,577</u>                            | <u>111,554,339</u>    |
| Total Assets                                 | <u>\$ 125,719,844</u>                    | <u>\$ 913,453</u>                         | <u>\$ 126,633,297</u> |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b> |  |   |                       |
| Loss on Defeasance of Debt                   | \$ 2,498,888                             |   | \$ 2,498,888          |
| Pension                                      | <u>10,684,413</u>                        |   | <u>10,684,413</u>     |
|  | <u>\$ 13,183,301</u>                     |   | <u>\$ 13,183,301</u>  |
| <b><u>LIABILITIES</u></b>                    |  |   |                       |
| Accounts Payable                             | \$ 2,685,198                             | \$ 1,110                                  | \$ 2,686,308          |
| Other Current Liabilities                    | 40,196                                   |   | 40,196                |
| Intergovernmental Accounts Payable           | 14,087                                   |   | 14,087                |
| Bond Anticipation Note                       | 15,000,000                               |   | 15,000,000            |
| Unearned Revenue                             | 674,449                                  | 92,981                                    | 767,430               |
| Accrued Interest Payable                     | 805,524                                  |   | 805,524               |
| Net Pension Liability                        | 34,812,158                               |   | 34,812,158            |
| Noncurrent Debt:                             |  |   |                       |
| Due Within One Year                          | 4,668,955                                |   | 4,668,955             |
| Due Beyond One Year                          | <u>37,176,750</u>                        |   | <u>37,176,750</u>     |
| Total Liabilities                            | <u>\$ 95,877,317</u>                     | <u>\$ 94,091</u>                          | <u>\$ 95,971,408</u>  |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>  |  |   |                       |
| Pension                                      | <u>\$ 163,916</u>                        |   | <u>\$ 163,916</u>     |
|  | <u>\$ 163,916</u>                        |   | <u>\$ 163,916</u>     |
| <b><u>NET POSITION</u></b>                   |  |   |                       |
| Invested in Capital Assets                   | \$ 64,422,276                            | \$ 277,577                                | \$ 64,699,853         |
| Restricted for:                              |  |   |                       |
| Capital Reserve                              | 4,312,604                                |   | 4,312,604             |
| Unrestricted (Deficit)                       | <u>(25,872,968)</u>                      | <u>541,785</u>                            | <u>(25,331,183)</u>   |
| Total Net Position                           | <u>\$ 42,861,912</u>                     | <u>\$ 819,362</u>                         | <u>\$ 43,681,274</u>  |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| <u>Functions/Programs</u>                | <u>Expenses</u>       | <u>Program Revenues</u>     |   | <u>Net (Expense) Revenue and Change in Net Position</u> |                                 |                         |
|--|-----------------------|-----------------------------|---|---|---------------------------------|-------------------------|
|  |                       | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u>                          | <u>Business-Type Activities</u> | <u>Total</u>            |
| <b>Governmental Activities:</b>          |                       |                             |   |   |                                 |                         |
| Instruction:                             |                       |                             |   |   |                                 |                         |
| Regular                                  | \$ 46,283,220         |                             |   | \$ (46,283,220)   |                                 | \$ (46,283,220)         |
| Special Education                        | 18,877,429            |                             | \$ 2,212,774                              | (16,664,655)  |                                 | (16,664,655)            |
| Other Special Education                  | 5,011,949             |                             |   | (5,011,949)   |                                 | (5,011,949)             |
| Other Instruction                        | 2,344,633             |                             |   | (2,344,633)   |                                 | (2,344,633)             |
| Support Services:                        |                       |                             |   |   |                                 |                         |
| Tuition                                  | 2,431,882             | \$ 14,291                   |   | (2,417,591)   |                                 | (2,417,591)             |
| Student and Instruction Related Services | 17,350,827            |                             | 231,095                                   | (17,119,732)  |                                 | (17,119,732)            |
| General Administrative Services          | 2,998,838             |                             |   | (2,998,838)   |                                 | (2,998,838)             |
| School Administrative Services           | 8,054,630             |                             |   | (8,054,630)   |                                 | (8,054,630)             |
| Plant Operations and Maintenance         | 12,996,502            |                             |   | (12,996,502)  |                                 | (12,996,502)            |
| Pupil Transportation                     | 9,229,365             | 114,161                     |   | (9,115,204)   |                                 | (9,115,204)             |
| Charter Schools                          | 1,731,185             |                             |   | (1,731,185)   |                                 | (1,731,185)             |
| Interest on Long Term Debt               | 2,126,318             |                             |   | (2,126,318)   |                                 | (2,126,318)             |
| <b>Total Governmental Activities</b>     | <b>\$ 129,436,778</b> | <b>\$ 128,452</b>           | <b>\$ 2,443,869</b>                       | <b>\$ (126,864,457)</b>                                 |                                 | <b>\$ (126,864,457)</b> |
| <b>Business-Type Activities:</b>         |                       |                             |   |   |                                 |                         |
| Food Service                             | \$ 3,384,197          | \$ 1,378,611                | \$ 1,894,902                              |   | \$ (110,684)                    | \$ (110,684)            |
| School Facilities                        | 378,595               | 293,954                     |   |   | (84,641)                        | (84,641)                |
| Integrated Pre-K/Summer Enrichment       | 344,767               | 319,624                     |   |   | (25,143)                        | (25,143)                |
| After School                             | 26,477                | 21,677                      |   |   | (4,800)                         | (4,800)                 |
| <b>Total Business-Type Activities</b>    | <b>\$ 4,134,036</b>   | <b>\$ 2,013,866</b>         | <b>\$ 1,894,902</b>                       |   | <b>\$ (225,268)</b>             | <b>\$ (225,268)</b>     |
| <b>Total Primary Government</b>          | <b>\$ 133,570,814</b> | <b>\$ 2,142,318</b>         | <b>\$ 4,338,771</b>                       | <b>\$ (126,864,457)</b>                                 | <b>\$ (225,268)</b>             | <b>\$ (127,089,725)</b> |
| <b>General Revenues</b>                  |                       |                             |   |   |                                 |                         |
| Property Taxes Levied for:               |                       |                             |   |   |                                 |                         |
| General Purposes                         |                       |                             |   | \$ 76,515,723   |                                 | \$ 76,515,723           |
| Debt Service                             |                       |                             |   | 5,331,602   |                                 | 5,331,602               |
| Federal and State Aid Not Restricted     |                       |                             |   | 43,096,284  |                                 | 43,096,284              |
| Miscellaneous Income                     |                       |                             |   | 638,032   |                                 | 638,032                 |
| <b>Total General Revenues</b>            |                       |                             |   | <b>\$ 125,581,641</b>                                   |                                 | <b>\$ 125,581,641</b>   |
| Special and Extraordinary Items          |                       |                             |   | (325,759)   | (33,013)                        | (358,772)               |
| Change in Net Position                   |                       |                             |   | \$ (1,608,575)  | \$ (258,281)                    | \$ (1,866,856)          |
| Net Position - Beginning As Adjusted     |                       |                             |   | 44,470,487  | 1,077,642                       | 45,548,129              |
| Net Position - Ending                    |                       |                             |   | <b>\$ 42,861,912</b>                                    | <b>\$ 819,361</b>               | <b>\$ 43,681,273</b>    |



**BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

|  | <u>General<br/>Fund</u>     | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-----------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| <b><u>ASSETS</u></b>                                     |                             |                                     |                                      |                                  |   |
| Cash and Cash Equivalents                                | \$ 17,553,285               |                                     |                                      | \$ 1                             | \$ 17,553,286                           |
| Cash with Fiscal Agents                                  |                             |                                     | \$ 404,986                           |                                  | 404,986                                 |
| Intergovernmental Accounts Receivable                    | 2,211,998                   | \$ 581,707                          |                                      |                                  | 2,793,705                               |
| Interfunds Receivable                                    | 340                         |                                     |                                      |                                  | 340                                     |
| Other Receivables  | 242,200                     |                                     | 35,000,000                           |                                  | 35,242,200                              |
| Restricted Cash and Cash Equivalents                     | <u>4,312,604</u>            |                                     |                                      |                                  | <u>4,312,604</u>                        |
| <b>Total Assets</b>                                      | <b><u>\$ 24,320,427</u></b> | <b><u>\$ 581,707</u></b>            | <b><u>\$ 35,404,986</u></b>          | <b><u>\$ 1</u></b>               | <b><u>\$ 60,307,121</u></b>             |
| <b><u>LIABILITIES AND FUND BALANCE</u></b>               |                             |                                     |                                      |                                  |   |
| Liabilities:   |                             |                                     |                                      |                                  |   |
| Cash Overdraft   |                             | \$ 74,644                           | \$ 10,789,055                        |                                  | \$ 10,863,699                           |
| Accounts Payable   | \$ 1,374,427                | 223,513                             |                                      |                                  | 1,597,940                               |
| Bond Anticipation Note                                   | 15,000,000                  |                                     |                                      |                                  | 15,000,000                              |
| Other Current Liabilities                                | 40                          |                                     | 40,156                               |                                  | 40,196                                  |
| Intergovernmental Accounts Payable                       |                             | 14,087                              |                                      |                                  | 14,087                                  |
| Interfunds Payable                                       |                             |                                     | 340                                  |                                  | 340                                     |
| Unearned Revenue   |                             | <u>269,463</u>                      | <u>404,986</u>                       |                                  | <u>674,449</u>                          |
| <b>Total Liabilities</b>                                 | <b><u>\$ 16,374,467</u></b> | <b><u>\$ 581,707</u></b>            | <b><u>\$ 11,234,537</u></b>          |                                  | <b><u>\$ 28,190,711</u></b>             |
| Fund Balances  |                             |                                     |                                      |                                  |   |
| Restricted:  |                             |                                     |                                      |                                  |   |
| Capital Reserve Account                                  | \$ 4,312,604                |                                     |                                      |                                  | \$ 4,312,604                            |
| Maintenance Reserve                                      | 1,605,732                   |                                     |                                      |                                  | 1,605,732                               |
| Emergency Reserve  | 250,000                     |                                     |                                      |                                  | 250,000                                 |
| Debt Service   |                             |                                     |                                      | \$ 1                             | 1                                       |
| Capital Projects   |                             |                                     | \$ 24,170,449                        |                                  | 24,170,449                              |
| Assigned - Designated for Subsequent Year's Expenditures | 71,608                      |                                     |                                      |                                  | 71,608                                  |
| Unassigned   | <u>1,706,015</u>            |                                     |                                      |                                  | <u>1,706,015</u>                        |
| <b>Total Fund Balances</b>                               | <b><u>\$ 7,945,960</u></b>  |                                     | <b><u>\$ 24,170,449</u></b>          | <b><u>\$ 1</u></b>               | <b><u>\$ 32,116,410</u></b>             |
| <b>Total Liabilities and Fund Balance</b>                | <b><u>\$ 24,320,427</u></b> | <b><u>\$ 581,707</u></b>            | <b><u>\$ 35,404,986</u></b>          | <b><u>\$ 1</u></b>               | <b><u>\$ 60,307,121</u></b>             |

BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2017

|   | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|
| Total Fund Balances above   | \$ 32,116,410                           |
| <p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position (A-1) are different because:</p>  |   |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of capital assets is \$166,881,360 and the accumulated depreciation is \$56,963,314. (see Note 5)</p>                                      | 111,276,762                             |
| <p>Deferred loss on defeasance of debt, unamortized (see Note 7D)</p>   | 2,498,888                               |
| <p>Noncurrent liabilities, including bonds, loans, leases payable and compensated absence are not due and payable in the current period and therefore are not reported as liabilities in the funds. (see Note 7)</p>  | (41,845,705)                            |
| <p>Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement activities; issuing debt increases noncurrent liabilities in the statement of net position.</p>  |   |
| <p>Proceeds from sale of school district bonds (Receivable)</p>   | (35,000,000)                            |
| <p>Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds:</p>  |   |
| <p>Accrued Interest Payable</p> <p style="padding-left: 20px;">(Accrued interest is a current liability that will be paid from the debt service fund. Therefore, the liability reduces the restricted for debt service net asset balance.)</p>  | (805,524)                               |
| <p>Accrued Pension Liability</p> <p style="padding-left: 20px;">(Accrued pension is a current liability that will be paid from the general fund, attributed to the fiscal year ending June 30th, 2016, however will be raised in the budget for the fiscal year ending June 30th, 2017)</p> | 9,433,239                               |
| <p>Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. (See Note 9)</p>   | (34,812,158)                            |
| <p>Net position of governmental activities (A-1)</p>  | <u>\$ 42,861,912</u>                    |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

|   | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| <b><u>REVENUES</u></b>                    |                         |                                     |                                      |                                  |   |
| Local sources:                            |                         |                                     |                                      |                                  |   |
| Local tax levy                            | \$ 76,515,723           |                                     |                                      | \$ 5,331,602                     | \$ 81,847,325                           |
| Interest on Investments                   |                         |                                     | \$ 340                               |                                  | 340                                     |
| Interest earned on capital reserve funds  | 12,757                  |                                     |                                      |                                  | 12,757                                  |
| Miscellaneous                             | <u>568,221</u>          | <u>\$ 106,083</u>                   |                                      |                                  | <u>674,304</u>                          |
| Total - Local Sources                     | \$ 77,096,701           | \$ 106,083                          | \$ 340                               | \$ 5,331,602                     | \$ 82,534,726                           |
| State Sources                             | 24,647,097              | 29,647                              |                                      |                                  | 24,676,744                              |
| Federal Sources                           | <u>177,331</u>          | <u>2,575,144</u>                    |                                      |                                  | <u>2,752,475</u>                        |
| Total Revenues                            | <u>\$ 101,921,129</u>   | <u>\$ 2,710,874</u>                 | <u>\$ 340</u>                        | <u>\$ 5,331,602</u>              | <u>\$ 109,963,945</u>                   |
| <b><u>EXPENDITURES</u></b>                |                         |                                     |                                      |                                  |   |
| Current:                                  |                         |                                     |                                      |                                  |   |
| Regular Instruction                       | \$ 25,699,997           |                                     |                                      |                                  | \$ 25,699,997                           |
| Special Education Instruction             | 8,689,531               | \$ 2,212,774                        |                                      |                                  | 10,902,305                              |
| Other Special Instruction                 | 2,783,019               |                                     |                                      |                                  | 2,783,019                               |
| Other Instruction                         | 1,301,920               |                                     |                                      |                                  | 1,301,920                               |
| Support Services and Undistributed Costs: |                         |                                     |                                      |                                  |   |
| Tuition                                   | 2,431,882               |                                     |                                      |                                  | 2,431,882                               |
| Student and Instruction Related Services  | 9,447,291               | 231,095                             |                                      |                                  | 9,678,386                               |
| Other Administrative Services             | 1,665,185               |                                     |                                      |                                  | 1,665,185                               |
| School Administrative Services            | 4,472,549               |                                     |                                      |                                  | 4,472,549                               |
| Plant Operations and Maintenance          | 7,216,656               |                                     |                                      |                                  | 7,216,656                               |
| Pupil Transportation                      | 5,124,852               |                                     |                                      |                                  | 5,124,852                               |
| Employee Benefits                         | 29,975,793              | 267,005                             |                                      |                                  | 30,242,798                              |
| Transfer to Charter Schools               | 1,731,185               |                                     |                                      |                                  | 1,731,185                               |
| Debt Service:                             |                         |                                     |                                      |                                  |   |
| Principal                                 |                         |                                     |                                      | \$ 3,735,000                     | 3,735,000                               |
| Interest                                  |                         |                                     |                                      | 1,634,100                        | 1,634,100                               |
| Capital Outlay                            | <u>1,785,166</u>        |                                     | <u>\$ 10,916,123</u>                 |                                  | <u>12,701,289</u>                       |
| Total Expenditures                        | <u>\$ 102,325,026</u>   | <u>\$ 2,710,874</u>                 | <u>\$ 10,916,123</u>                 | <u>\$ 5,369,100</u>              | <u>\$ 121,321,123</u>                   |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| Excess/(Deficiency) of Revenues<br>Over/(Under) Expenditures | \$ (403,897)            | _____                               | \$ (10,915,783)                      | \$ (37,498)                      | \$ (11,357,178)                         |
| Other Financing Sources/(Uses):                              |                         |                                     |                                      |                                  |   |
| Bond Proceeds  |                         |                                     | \$ 35,000,000                        |                                  | \$ 35,000,000                           |
| Transfer In/(Out)  |                         |                                     |                                      |                                  |   |
| Interest earned  | \$ 340                  | _____                               | (340)                                | _____                            | _____                                   |
| Total Other Financing Sources (Uses)                         | \$ 340                  | _____                               | \$ 34,999,660                        | _____                            | 35,000,000                              |
| Net Change in Fund Balances                                  | \$ (403,557)            | _____                               | \$ 24,083,877                        | \$ (37,498)                      | \$ 23,642,822                           |
| Fund Balance - July 1  | 8,349,517               | _____                               | 86,572                               | 37,499                           | 8,473,588                               |
| Fund Balance - June 30                                       | <u>\$ 7,945,960</u>     | <u>_____</u>                        | <u>\$ 24,170,449</u>                 | <u>\$ 1</u>                      | <u>\$ 32,116,410</u>                    |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balance - Governmental Funds (from B-2) \$ 23,642,822

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 depreciated expense. This is the amount by which capital outlays exceeded depreciation in the period.

|                                      |                    |           |
|--------------------------------------|--------------------|-----------|
| Capital outlay                       | \$ 12,701,289      |           |
| Loss on retirement of capital assets | (325,759)          |           |
| Depreciation expense                 | <u>(3,874,860)</u> | 8,500,670 |

Governmental funds report the effect of premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the following related to the premiums on bonds.

|                         |  |         |
|-------------------------|--|---------|
| Amortization of premium |  | 461,767 |
|-------------------------|--|---------|

Governmental funds report the effect of defeasances and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the following related to the deferred loss of refunding.

|                               |  |           |
|-------------------------------|--|-----------|
| Amortization of deferred loss |  | (409,124) |
|-------------------------------|--|-----------|

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement activities; issuing debt increases noncurrent liabilities in the statement of net position.

|  |  |              |
|--|--|--------------|
| Proceeds from sale of school district bonds (receivable) |  | (35,000,000) |
|--|--|--------------|

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

|  |  |           |
|--|--|-----------|
|  |  | 3,735,000 |
|--|--|-----------|

In the statement of activities, interest on noncurrent debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The increase in accrued interest is a deduction in the reconciliation.

|  |  |          |
|--|--|----------|
|  |  | (83,094) |
|--|--|----------|

In the statement of activities, certain operating expenses, e.g. compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

|  |  |           |
|--|--|-----------|
|  |  | (119,231) |
|--|--|-----------|

Net pension obligation related to PERS which is attributable to June 30, 2016 (*the measurement date*) not reported in governmental funds; however, it is reported in the statement of activities.

|  |  |                    |
|--|--|--------------------|
|  |  | <u>(2,337,384)</u> |
|--|--|--------------------|

|   |  |                              |
|---|--|------------------------------|
| Change in Net Position of Governmental Activities (A-2) |  | \$ <u><u>(1,608,575)</u></u> |
|---|--|------------------------------|

See accompanying notes to financial statements

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**PROPRIETARY FUNDS - ENTERPRISE FUND**  
**STATEMENT OF NET POSITION**  
JUNE 30, 2017

| <u>ASSETS</u>                      | <u>Food Service</u> | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment</u> | <u>After<br/>School</u> | <u>Total<br/>Enterprise</u> |
|------------------------------------|---------------------|------------------------------|---|-------------------------|-----------------------------|
| Current assets:                    |                     |                              |   |                         |                             |
| Cash and cash equivalents          | \$ 207,192          | \$ 114,486                   | \$ 70,054   |                         | \$ 391,732                  |
| Accounts receivable:               |                     |                              |   |                         |                             |
| State                              | 4,619               |                              |   |                         | 4,619                       |
| Federal                            | 95,720              |                              |   |                         | 95,720                      |
| Other                              | 36,020              | 15,514                       |   |                         | 51,534                      |
| Inventories                        | 92,271              |                              |   |                         | 92,271                      |
| Total current assets               | <u>\$ 435,822</u>   | <u>\$ 130,000</u>            | <u>\$ 70,054</u>                                  |                         | <u>\$ 635,876</u>           |
| Noncurrent assets:                 |                     |                              |   |                         |                             |
| Furniture, machinery and equipment | \$ 627,182          | 175,546                      | \$ 139,787  |                         | \$ 942,515                  |
| Less: accumulated depreciation     | <u>592,501</u>      | <u>9,661</u>                 | <u>62,776</u>                                     |                         | <u>664,938</u>              |
| Total noncurrent assets            | <u>\$ 34,681</u>    | <u>\$ 165,885</u>            | <u>\$ 77,011</u>                                  |                         | <u>\$ 277,577</u>           |
| Total assets                       | <u>\$ 470,503</u>   | <u>\$ 295,885</u>            | <u>\$ 147,065</u>                                 |                         | <u>\$ 913,453</u>           |
|                                    |                     |                              |   |                         |                             |
| <u>LIABILITIES</u>                 |                     |                              |   |                         |                             |
| Current liabilities:               |                     |                              |   |                         |                             |
| Accounts payable                   | \$                  |                              | \$ 1,110  |                         | \$ 1,110                    |
| Unearned Revenue                   | <u>26,501</u>       |                              | <u>66,480</u>                                     |                         | <u>92,981</u>               |
| Total liabilities                  | <u>\$ 26,501</u>    |                              | <u>\$ 67,590</u>                                  |                         | <u>\$ 94,091</u>            |
|                                    |                     |                              |   |                         |                             |
| <u>NET POSITION</u>                |                     |                              |   |                         |                             |
| Net investment in capital assets   | \$ 34,681           | \$ 165,885                   | \$ 77,011   |                         | \$ 277,577                  |
| Unrestricted                       | <u>409,321</u>      | <u>130,000</u>               | <u>2,464</u>                                      |                         | <u>541,785</u>              |
| Total net position                 | <u>\$ 444,002</u>   | <u>\$ 295,885</u>            | <u>\$ 79,475</u>                                  |                         | <u>\$ 819,362</u>           |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**PROPRIETARY FUND - ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

|   | Business-Type Activities<br>Enterprise Fund |                              |  |                     | Total<br>Enterprise |
|---|---|------------------------------|--|---------------------|---------------------|
|   | <u>Food Service</u>                         | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment/</u> | <u>After School</u> |                     |
| <u>OPERATING REVENUES</u>                 |   |                              |  |                     |                     |
| Local Sources:                            |   |                              |  |                     |                     |
| Daily sales - reimbursable programs:      |   |                              |  |                     |                     |
| School lunch program                      | \$ 666,508                                  |                              |  |                     | \$ 666,508          |
| School breakfast program                  | 13,563                                      |                              |  |                     | 13,563              |
| School after school snack program         | 28,139                                      |                              |  |                     | 28,139              |
| Daily sales - non-reimbursable programs   | 670,401                                     |                              |  |                     | 670,401             |
| Tuition and services                      |   | \$ 293,954                   | \$ 319,624   | \$ 21,677           | 635,255             |
| Total operating revenues                  | \$ 1,378,611                                | \$ 293,954                   | \$ 319,624   | \$ 21,677           | \$ 2,013,866        |
| <u>OPERATING EXPENSES</u>                 |   |                              |  |                     |                     |
| Cost of sales - reimbursable programs     | \$ 1,305,137                                |                              |  |                     | \$ 1,305,137        |
| Cost of sales - non-reimbursable programs | 331,193                                     |                              |  |                     | 331,193             |
| Salaries                                  | 978,128                                     | \$ 331,105                   | \$ 304,208   | \$ 24,874           | 1,638,315           |
| Employee benefits                         | 211,551                                     |                              |  |                     | 211,551             |
| Insurance                                 | 105,865                                     |                              |  |                     | 105,865             |
| Water                                     |   |                              | 558  |                     | 558                 |
| Heat                                      | 30,000                                      |                              | 1,791  |                     | 31,791              |
| Electricity                               | 165,000                                     |                              | 16,792   |                     | 181,792             |
| General Supplies                          |   | 39,002                       | 9,769  | 1,603               | 50,374              |
| Depreciation                              | 9,795                                       | 8,488                        | 11,649   |                     | 29,932              |
| Management Fee                            | 123,528                                     |                              |  |                     | 123,528             |
| Administration Fee                        | 124,000                                     |                              |  |                     | 124,000             |
| Total operating expenses                  | \$ 3,384,197                                | \$ 378,595                   | \$ 344,767   | \$ 26,477           | \$ 4,134,036        |
| Operating income/(loss)                   | \$ (2,005,586)                              | \$ (84,641)                  | \$ (25,143)  | \$ (4,800)          | \$ (2,120,170)      |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**PROPRIETARY FUND - ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

|  | Business-Type Activities<br>Enterprise Fund |                              |  |                     | Total<br>Enterprise      |
|--|---|------------------------------|--|---------------------|--------------------------|
|  | <u>Food Service</u>                         | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment/</u> | <u>After School</u> |                          |
| <b><u>NONOPERATING REVENUES</u></b>              |   |                              |  |                     |                          |
| State sources:                                   |   |                              |  |                     |                          |
| State school lunch program                       | \$ 31,960                                   |                              |  |                     | \$ 31,960                |
| Federal sources:                                 |   |                              |  |                     |                          |
| National school lunch program                    | 1,203,562                                   |                              |  |                     | 1,203,562                |
| National breakfast program                       | 415,003                                     |                              |  |                     | 415,003                  |
| School snack program                             | 11,302                                      |                              |  |                     | 11,302                   |
| Food distribution program                        | <u>233,075</u>                              |                              |  |                     | <u>233,075</u>           |
| Total nonoperating revenues                      | \$ <u>1,894,902</u>                         |                              |  |                     | \$ <u>1,894,902</u>      |
| Income/(loss) before contributions and transfers | \$ (110,684)                                | \$ (84,641)                  | \$ (25,143)  | \$ (4,800)          | \$ (225,268)             |
| Operating transfers:                             |   |                              |  |                     |                          |
| Writeoff of Prior Year Accounts Receivable       | (33,013)                                    |                              |  |                     | (33,013)                 |
| Intra fund - operating transfer in/(out)         |   |                              | <u>(496)</u>                                       | <u>496</u>          |                          |
| Change in net position                           | \$ (143,697)                                | \$ (84,641)                  | \$ (25,639)  | \$ (4,304)          | \$ (258,281)             |
| Total net position - beginning                   | <u>587,699</u>                              | <u>380,526</u>               | <u>105,114</u>                                     | <u>4,304</u>        | <u>1,077,643</u>         |
| Total net position - ending                      | \$ <u><u>444,002</u></u>                    | \$ <u><u>295,885</u></u>     | \$ <u><u>79,475</u></u>                            |                     | \$ <u><u>819,362</u></u> |



**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**PROPRIETARY FUNDS - ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED JUNE 30, 2017

|  | Business-Type Activities<br>Enterprise Fund |                      |   |                 |                     |
|--|---|----------------------|---|-----------------|---------------------|
|  | Food Service                                | School<br>Facilities | Integrated<br>Pre-K/Summer<br>Enrichment/ | After<br>School | Total<br>Enterprise |
| <u>Cash Flows from Operating Activities</u>                              |   |                      |   |                 |                     |
| Receipts from Customers  | \$ 1,349,329                                | \$ 293,440           | \$ 334,143                                | \$ 21,677       | \$ 1,998,589        |
| Payments to Employees  | (978,128)                                   | (331,105)            | (304,208)                                 | (24,874)        | (1,638,315)         |
| Payments for Employee Benefits   | (317,416)                                   |                      |   |                 | (317,416)           |
| Payments to Suppliers  | (2,112,791)                                 | (118,646)            | (29,625)                                  | (1,603)         | (2,262,665)         |
| Payment for Management Fee   | (123,528)                                   |                      |   |                 | (123,528)           |
| Payment for Administrative Fee   | (124,000)                                   |                      |   |                 | (124,000)           |
| Net Cash Provided by/(Used for) Operating Activities                     | \$ (2,306,534)                              | \$ (156,311)         | \$ 310                                    | \$ (4,800)      | \$ (2,467,335)      |
| <u>Cash Flows from Noncapital Financing Activities</u>                   |   |                      |   |                 |                     |
| State Sources  | \$ 31,677                                   |                      |   |                 | \$ 31,677           |
| Federal Sources  | 1,892,554                                   |                      |   |                 | 1,892,554           |
| Operating Transfers to Other Funds - Intrafunds                          |   |                      | \$ (496)                                  | \$ 496          |                     |
| Net Cash Provided by/(Used for) Noncapital Financing Activities          | \$ 1,924,231                                |                      | \$ (496)                                  | \$ 496          | \$ 1,924,231        |
| <u>Cash Flows from Capital and Related Financing Activities:</u>         |   |                      |   |                 |                     |
| Purchases of Capital Assets  | \$ (32,002)                                 | \$ (147,383)         |   |                 | \$ (179,385)        |
| Net Cash Provided by/(Used for) Capital and Related Financing Activities | \$ (32,002)                                 | \$ (147,383)         |   |                 | \$ (179,385)        |
| Net Increase/(Decrease) in Cash and Cash Equivalents                     | \$ (414,305)                                | \$ (303,694)         | \$ (186)                                  | \$ (4,304)      | \$ (722,489)        |
| Balances - Beginning of Year   | 621,496                                     | 418,180              | 70,241                                    | 4,304           | 1,114,221           |
| Balances - End of Year   | \$ 207,191                                  | \$ 114,486           | \$ 70,055                                 |                 | \$ 391,732          |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**PROPRIETARY FUNDS - ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED JUNE 30, 2017

|   | Business-Type Activities<br>Enterprise Fund |                              |  |                         |                             |
|---|---|------------------------------|--|-------------------------|-----------------------------|
|   | <u>Food Service</u>                         | <u>School<br/>Facilities</u> | <u>Integrated<br/>Pre-K/Summer<br/>Enrichment/</u> | <u>After<br/>School</u> | <u>Total<br/>Enterprise</u> |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used)<br><u>by Operating Activities</u> |   |                              |  |                         |                             |
| Operating Gain/(Loss)   | \$ (2,005,586)                              | \$ (84,641)                  | \$ (25,143)  | \$ (4,800)              | \$ (2,120,170)              |
| Adjustments to Reconcile Operating Loss to Cash Provided/(Used)<br>by Operating Activities:             |   |                              |  |                         |                             |
| Depreciation  | \$ 9,795                                    | 8,488                        | \$ 11,649  |                         | \$ 29,932                   |
| Cancellation of Prior Year Accounts Receivable  | (33,013)                                    |                              |  |                         | (33,013)                    |
| Change in Assets and Liabilities:   |   |                              |  |                         |                             |
| (Increase)/Decrease in Accounts Receivable  | (3,007)                                     | (514)                        |  |                         | (3,521)                     |
| (Increase) in Inventories   | (21,609)                                    |                              |  |                         | (21,609)                    |
| Increase in Accounts Payable  | (259,850)                                   | (79,644)                     | (715)  |                         | (340,209)                   |
| Increase/(Decrease) in Unearned Revenue   | 6,736                                       |                              | 14,520   |                         | 21,256                      |
| Total Adjustments   | \$ (300,948)                                | \$ (71,670)                  | \$ 25,454  |                         | \$ (347,164)                |
| Net Cash Provided by/(Used for) by Operating Activities   | \$ (2,306,534)                              | \$ (156,311)                 | \$ 311   | \$ (4,800)              | \$ (2,467,334)              |

**BOARD OF EDUCATION**  
**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**COUNTY OF MIDDLESEX**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

|                                      | <u>Trust</u><br><u>Funds</u>            | <u>Agency</u><br><u>Fund</u>                   | <u>Total</u><br><u>Fiduciary</u><br><u>Funds</u> |
|--------------------------------------|---|--|--|
| <u>ASSETS</u>                        |   |  |  |
| Cash and Cash Equivalents            | \$ <u>50,235</u>                        | \$ <u>429,036</u>                              | \$ <u>479,271</u>                                |
| Total Assets                         | \$ <u><u>50,235</u></u>                 | \$ <u><u>429,036</u></u>                       | \$ <u><u>479,271</u></u>                         |
| <u>LIABILITIES</u>                   |   |  |  |
| Payable to Student Groups            |   | \$ 308,901                                     | \$ 308,901                                       |
| Payroll Deductions and Withholdings  | <u>                                </u> | <u>120,135</u>                                 | <u>120,135</u>                                   |
| Total Liabilities                    |   | <u><u>\$ 429,036</u></u>                       | <u><u>\$ 429,036</u></u>                         |
| <u>NET POSITION</u>                  |   |  |  |
| Reserved - Payable to Student Groups | \$ <u>50,235</u>                        | <u>                                </u>        | \$ <u>50,235</u>                                 |
| Total Net Position                   | \$ <u><u>50,235</u></u>                 | <u><u>                                </u></u> | \$ <u><u>50,235</u></u>                          |

BOARD OF EDUCATION  
NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT  
COUNTY OF MIDDLESEX  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

|  | <u>Total</u><br><u>Fiduciary Funds</u>  |
|--|---|
|  | <u>Scholarship</u><br><u>Trust Fund</u> |
| <u>ADDITIONS</u>                           |   |
| Contributions:                             |   |
| Donations                                  | \$ <u>16,836</u>                        |
| Total Contributions                        | \$ <u>16,836</u>                        |
| <br>Total Additions                        | <br>\$ <u>16,836</u>                    |
| <u>DEDUCTIONS</u>                          |   |
| Scholarships Awarded                       | \$ <u>6,257</u>                         |
| Total Deductions                           | \$ <u>6,257</u>                         |
| Change in Net Position                     | \$ 10,579                               |
| Total Net Position - Beginning of the Year | \$ <u>39,656</u>                        |
| Total Net Position - Ending of the Year    | \$ <u><u>50,235</u></u>                 |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The North Brunswick Township School District (the "District") is a Type II district located in the County of Middlesex, State of New Jersey. As a Type II district, the District functions independently through a Board of Education (the "Board"). The Board is comprised of nine (9) members elected to three (3) year terms. The purpose of the District is to educate students in grades pre-K-12. The District had an approximate enrollment at June 30, 2017 of 6,175 students.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Basis of Presentation (Continued)**

**1. Government-Wide Financial Statements (Continued)**

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**2. Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

**General Fund** – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment that are classified in the Capital Outlay subfund.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Fund Accounting (Continued)**

**1. Governmental Funds (Continued)**

**General Fund (Continued)**

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America (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, district taxes 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). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

**2. Proprietary Fund Type**

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Fund Accounting (Continued)**

**2. Proprietary Fund Type (Continued)**

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

The District's Enterprise Fund is comprised of the following:

**Food Service:** This fund provides for the cafeteria operation in all schools within the school district.

**Integrated Pre-K/Summer Enrichment:** This fund provides for the attendance of regular education students within the preschool program and for the Summer Enrichment program.

**School Facilities:** This fund provides for usage of school facilities within the school district.

**After School Enrichment:** This fund provides for the After School Enrichment program.

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 statement of net position. Their reported fund equity (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 position.

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 statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of the equipment used in the operations of the Enterprise Funds are approximately 10 years.



**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Fund Accounting (Continued)**

**3. Fiduciary Funds**

**Trust and Agency Funds** – The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

**Private Purpose Scholarship Funds**

**Expendable Trust Fund** - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Fund includes the Unemployment Compensation Insurance Fund and Scholarship Funds.

**Nonexpendable Trust Fund** - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal.

**Agency Funds** – Agency Funds are used to account for the assets that the District holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll and student activities funds.

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement on Net Position.

**2. Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus (Continued)**

**2. Fund Financial Statements (Continued)**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Fund equity (i.e., 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 net position.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable 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 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 noncurrent debt which are recorded when due.

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

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable 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.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the winter of each year for the general, special revenue, and debt service funds. The budgets are approved and voted on by the Board of Education of the District, submitted to the County office for approval and if determined to be within the allowable tax levy cap and within the allowable appropriation cap, become effective upon the holding of a public hearing and final adoption by the District. In accordance with P.L. 2011, c.202, which became effective 17, 2012, the district elected to move the annual School Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of N.J.A.C 6A:23A-2.3 (et seq.). All budget amendments must be approved by School Board resolution and certain others require approved by the County Superintendent of Schools. Budgetary transfers were made during the current year in accordance with statutory guidelines. The amendments made by the District were part of the normal course of operations.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America 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 over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

The following presents a reconciliation of the General Fund revenue and Special Revenue Fund revenue from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets/Budgetary Control (Continued)**

Explanation of Differences between Budgetary Inflows and  
Outflows and GAAP Revenues and Expenditures

|  |     | <u>General<br/>Fund</u> |     |    | <u>Special<br/>Revenue<br/>Fund</u> |
|--|-----|-------------------------|-----|----|-------------------------------------|
| <b>Sources/Inflows of Resources:</b>   |     |                         |     |    |                                     |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule  | C-1 | \$ 101,930,226          | C-2 | \$ | 2,710,874                           |
| <b>Difference - Budget to GAAP:</b>  |     |                         |     |    |                                     |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.   |     |                         |     |    |                                     |
| June 30, 2016  |     | None                    |     |    | None                                |
| June 30, 2017  |     | None                    |     |    | None                                |
| State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.   |     | 1,116,814               |     |    | None                                |
| State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.  |     | <u>(1,125,911)</u>      |     |    | <u>None</u>                         |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.   | B-2 | \$ <u>101,921,129</u>   | B-2 | \$ | <u>2,710,874</u>                    |
| <b>Uses/Outflows of Resources:</b>   |     |                         |     |    |                                     |
| Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.  | C-1 | \$ 102,325,026          | C-2 | \$ | 2,710,874                           |
| <b>Difference - Budget to GAAP:</b>  |     |                         |     |    |                                     |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. |     |                         |     |    |                                     |
| June 30, 2016  |     | None                    |     |    | None                                |
| June 30, 2017  |     | <u>None</u>             |     |    | <u>None</u>                         |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.   | B-2 | \$ <u>102,325,026</u>   | B-2 | \$ | <u>2,710,874</u>                    |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Encumbrances**

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

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

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

**G. Assets, Liabilities and Equity**

**1. Cash, Cash Equivalents and Investments**

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

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

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

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities and Equity (Continued)**

2. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded in the enterprise funds. All expenses in the other funds are recorded as expenditures during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

3. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

4. Tuition Receivable

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.

5. Tuition Payable

Tuition charges for the fiscal years 2015-2016 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

6. Interfund Receivables/Payables

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

7. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities and Equity (Continued)**

7. Capital Assets (Continued)

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method under the half year convention over the following useful lives:

| <u>Asset Class</u>            | <u>Estimated Lives</u> |
|-------------------------------|------------------------|
| School Buildings              | 50 years               |
| Building Improvements         | 20 years               |
| Electrical/Plumbing           | 30 years               |
| Vehicles                      | 6-8 years              |
| Office and Computer Equipment | 5-20 years             |
| Instructional Equipment       | 5-10 years             |
| Grounds Equipment             | 5-15 years             |
| Food Service Equipment        | 7-20 years             |

8. Deferred Outflows/Inflows of Resources

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

9. Compensated Absences

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

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities and Equity (Continued)**

9. Compensated Absences (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

10. Accrued Liabilities and Noncurrent Obligations

All payables, accrued liabilities and noncurrent obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of capital leases, compensated absences and bonds payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

11. Deferred Loss on Refunding of Debt

Deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

12. Net Position

Net Position represents the difference between assets, deferred outflows, deferred inflows and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any noncurrent debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.



**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities and Equity (Continued)**

13. Unearned (Deferred) Revenue

Unearned revenue in all funds represents program revenues that have been received but not yet earned. In the case of Food Service Fund, it is unused food distribution and student deposits for purchasing food in a future period.

14. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

15. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five (5) categories, as defined below:

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities and Equity (Continued)**

15. Fund Balance (Continued)

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

16. Proprietary Funds Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise fund, (the Food Service) are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

17. Rebatable Arbitrage

Rebatable arbitrage results from investing the proceeds of borrowed funds either directly or indirectly into investments that are higher in yield than the bond yield incurred on the borrowed funds. In accordance with GASB 34, rebatable arbitrage is treated like a claim or judgment. All interest income is reported as revenue of the capital projects fund. The liability, if any, is recorded as an accrued arbitrage rebate.

18. Non-Monetary Transactions

Commodities received under the Federal Food Distribution Program are received by the district and are recorded as nonoperating revenue when received in the food service enterprise fund at market value. The use of the commodities is included in cost of sales.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities and Equity (Continued)**

19. Allocation of Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified and allocated by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is reported separately on the Statement of Activities. No expenses were allocated as "Indirect Expenses".

20. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

21. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government 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 interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement was effective for periods beginning after June 15, 2014.

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities and Equity (Continued)**

21. Accounting and Financial Reporting for Pensions (Continued)

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

22. Management Estimates

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

**H. Other Accounting Standards**

The District is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the impact of the Statement on its financial statements.

- *GASB Statement No. 83. Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District does not expect this Statement to impact its financial statements.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Other Accounting Standards (Continued)**

- *GASB Statement No. 84. Fiduciary Activities.* This objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 85. Omnibus 2017.* This objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 86. Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 87. Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Subsequent Events**

Management has reviewed and evaluated all events and transactions from June 30, 2017 through November 2, 2017, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and Cash Equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less. Cash equivalents are defined as short-term, highly liquid securities that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturities of three (3) months or less meet this definition.

Investments are stated at cost, which approximates market. The District classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. The District is in compliance with GASB Statement No. 3 as amended by GASB Statement No. 40.

**A. Deposits**

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

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

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

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

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

As of June 30, 2017, cash and cash equivalents (Deposits) of the District consisted of the following:

|                                      | <u>Cash and Cash Equivalents</u>                |
|--------------------------------------|---|
| Checking Accounts - Interest Bearing | \$ 13,371,526                                   |
| MBIA Asset Management                | 75,901  |
| Certificate of Deposit               | 61,690  |
|                                      | \$ <span style="color: blue;">13,509,117</span> |
| Reconciliation:                      |   |
| Governmental Funds                   | \$ 12,440,101                                   |
| Proprietary Funds                    | 391,732   |
| Fiduciary Funds                      | 677,284   |
|                                      | \$ <span style="color: blue;">13,509,117</span> |

Of the total amount deposits of \$4,312,604 has been earmarked towards the Capital Reserve Account. Refer to Notes to Financial Statements Note 14.

**Allocation of Cash and Cash Equivalents**

|              |   |
|--------------|---|
| Unrestricted | \$ 12,563,656                                   |
| Restricted   | 945,461   |
|              | \$ <span style="color: blue;">13,509,117</span> |

Risk Analysis – The MBIA accounts are collateralized by U.S. government securities (both U.S. Treasury and Federal Agency) and other permitted money market instruments and not exposed to custodial credit risk. The checking accounts were on deposit in a bank which had the Government Unit Deposit Protection Act coverage (“GUDPA”) as of June 30, 2017 which minimizes credit risk.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**B. Investments**

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the school district or local unit of which the school district is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments, New Jersey State Department of Treasury.
- Local government investment pools.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

The District had no securities as of June 30, 2017 that would be considered investments as defined by GASB No. 3 as amended by GASB No. 40.



**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**4. INTERGOVERNMENTAL ACCOUNTS RECEIVABLE**

Intergovernmental Accounts Receivable at June 30, 2017 consisted of Federal source, State source, transportation, a local project and other revenue. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

|                                     | <u>Governmental Fund</u><br><u>Financial Statements</u> | <u>Business Type</u><br><u>Activities</u> |
|-------------------------------------|---|---|
| General Fund                        |   |   |
| State Aid:                          |   |   |
| Extraordinary Special Education Aid | \$ 2,000,640  |   |
| TPAF FICA Reimbursement             | 147,024   |   |
| Non Public Transportation           | <u>64,334</u>   |   |
|                                     | <u>\$ 2,211,998</u>                                     |   |
| Special Revenue Fund                |   |   |
| Federal Aid:                        |   |   |
| Title I                             | \$ 162,393  |   |
| Title II                            | 18,871  |   |
| Title III Part A                    | 12,399  |   |
| Title III Immigrant                 | 2,717   |   |
| IDEA Part B Basic Regular           | 327,476   |   |
| IDEA Part B Preschool               | 34,094  |   |
| Perkins                             | 9,670   |   |
| Local Aid:                          |   |   |
| ESCNJ - Refund NJ Non-Public Aid    | <u>14,087</u>   |   |
|                                     | <u>\$ 581,707</u>                                       |   |
|                                     | <u>\$ 2,793,705</u>                                     |   |
| Proprietary Fund                    |   |   |
| Enterprise Fund:                    |   |   |
| State Source                        |   | \$ <u>4,619</u>                           |
| Federal Source                      |   | \$ <u>95,721</u>                          |
| Other Source                        |   | \$ <u>36,020</u>                          |

**5. INVENTORY**

The value of Federal donated commodities as reflected on Schedule A of \$233,074 (required by the Single Audit Act) is the difference between market value and cost of the commodities at the date of the purchase and has been included as an item of nonoperating revenue in the financial statements. As of June 30, 2017, the federal donated commodities food inventory of \$32,262 was included in the year end food and supplies amount of \$92,271.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**6. CAPITAL ASSETS, NET**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

|  | Beginning<br>Balance  | Additions            | Transfers<br>(Retirements) | Ending<br>Balance     |
|--|-----------------------|----------------------|----------------------------|-----------------------|
| <u>Governmental Activities:</u>  |                       |                      |                            |                       |
| Capital assets not being depreciated:                                      |                       |                      |                            |                       |
| Land   | \$ 14,000             | \$ 10,851,232        |                            | \$ 10,865,232         |
| Construction in Progress   | -                     |                      |                            | -                     |
| Total capital assets not being depreciated                                 | <u>14,000</u>         | <u>10,851,232</u>    | -                          | <u>10,865,232</u>     |
| Capital assets being depreciated:  |                       |                      |                            |                       |
| Building and Building Improvements   | 147,207,527           | \$ 1,355,380         |                            | 148,562,907           |
| Machinery and Equipment  | 8,643,019             | 494,677              | \$ 325,759                 | 8,811,937             |
| Total at historical cost   | <u>155,850,546</u>    | <u>1,850,057</u>     | <u>325,759</u>             | <u>157,374,844</u>    |
| Less accumulated depreciation for:   |                       |                      |                            |                       |
| Building and Building Improvements   | (48,230,616)          | (3,177,205)          |                            | (51,407,821)          |
| Machinery and Equipment  | (4,857,838)           | (697,655)            |                            | (5,555,493)           |
| Total accumulated depreciation   | <u>(53,088,454)</u>   | <u>(3,874,860)</u>   | -                          | <u>(56,963,314)</u>   |
| Total capital assets being depreciated,<br>net of accumulated depreciation | <u>102,762,092</u>    | <u>(2,024,803)</u>   | <u>325,759</u>             | <u>100,411,530</u>    |
| Governmental activities capital assets, net                                | <u>\$ 102,776,092</u> | <u>\$ 8,826,429</u>  | <u>\$ 325,759</u>          | <u>\$ 111,276,762</u> |
| <u>Business-Type Activities:</u>   |                       |                      |                            |                       |
| Furniture, machinery and equipment   | \$ 763,130            | \$ 179,385           |                            | \$ 942,515            |
| Less accumulated depreciation for:   |                       |                      |                            |                       |
| Furniture, machinery and equipment   | (635,006)             | (29,931)             | -                          | (664,937)             |
| Business type activities capital assets, net                               | <u>\$ 128,124</u>     | <u>\$ 149,454</u>    | <u>-</u>                   | <u>\$ 277,578</u>     |
| <u>Detail of additions</u>   |                       |                      |                            |                       |
| Governmental Activities:   |                       |                      |                            |                       |
| General Fund   |                       | \$ 1,785,166         |                            |                       |
| Capital Projects Fund  |                       | <u>10,916,123</u>    |                            |                       |
|  |                       | <u>\$ 12,701,289</u> |                            |                       |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**6. CAPITAL ASSETS, NET (CONTINUED)**

Depreciation expense was charged to functions as follows:

|  |        |                             |
|--|--------|-----------------------------|
| Regular Instruction                          | \$     | 1,446,497                   |
| Special Education Instruction                |        | 613,624                     |
| Other Special Instruction                    |        | 156,639                     |
| Other Instruction                            |        | 73,277                      |
| Support Services and Undistributed Cost:     |        |                             |
| Student and Instruction Related Services     |        | 544,738                     |
| School Administrative Services               |        | 251,733                     |
| General and Business Administrative Services |        | 93,723                      |
| Plant Operations and Maintenance             |        | 406,182                     |
| Pupil Transportation                         |        | <u>288,447</u>              |
| <br>Total                                    | <br>\$ | <br><u><u>3,874,860</u></u> |

**7. NONCURRENT (LONG-TERM) DEBT**

During the fiscal year ended June 30, 2017 the following changes occurred in liabilities:

|                                 | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u>  | <u>Retirements</u>  | <u>Ending</u><br><u>Balance</u> | <u>Amounts Due</u><br><u>within One Year</u> | <u>Noncurrent</u><br><u>Portion</u> |
|---------------------------------|------------------------------------|-------------------|---------------------|---------------------------------|--|-------------------------------------|
| <u>Governmental Activities:</u> |                                    |                   |                     |                                 |  |                                     |
| Bonds Payable -                 |                                    |                   |                     |                                 |  |                                     |
| General Obligation Debt         | \$ 40,160,000                      |                   | \$ 3,735,000        | \$ 36,425,000                   | \$ 3,875,000                                 | \$ 32,550,000                       |
| Add: Unamortized                |                                    |                   |                     |                                 |  |                                     |
| Premium on Bonds                | <u>2,560,590</u>                   |                   | <u>461,767</u>      | <u>2,098,823</u>                | <u>461,767</u>                               | <u>1,637,056</u>                    |
|                                 | 42,720,590                         |                   | 4,196,767           | 38,523,823                      | 4,336,767                                    | 34,187,056                          |
| Compensated                     |                                    |                   |                     |                                 |  |                                     |
| Absences Payable                | <u>3,202,651</u>                   | <u>\$ 119,231</u> |                     | <u>3,321,882</u>                | <u>332,188</u>                               | <u>2,989,694</u>                    |
|                                 | <u>\$ 45,923,241</u>               | <u>\$ 119,231</u> | <u>\$ 4,196,767</u> | <u>\$ 41,845,705</u>            | <u>\$ 4,668,955</u>                          | <u>\$ 37,176,750</u>                |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**7. NONCURRENT (LONG-TERM) DEBT (CONTINUED)**

**A. Bonds and loans payable currently outstanding are summarized as follows:**

School District Refunding Bonds, Series 2010

The District issued \$17,865,000 of bonds dated March 25, 2010 at a premium of \$2,081,589 in order to provide sufficient funds for the refunding and costs of issuance of \$18,199,000 of 2002 Series Bonds due on or after July 15, 2022. Annual remaining maturities of \$1,855,000 to \$2,350,000. Final maturity is due on July 15, 2022 with interest rates on remaining maturities ranging from 4.0% to 5.0%.

\$ 12,565,000

Redemption: The bonds are not subject to redemption prior to their stated maturities.

School District Refunding Bonds, Series 2012

The District issued \$23,540,000 of bonds dated May 23, 2012 at a premium of \$2,911,931 in order to provide sufficient funds for the refunding and costs of issuance of \$14,781,000 of 2005 Series Bonds due on or after October 15, 2025. Annual remaining maturities of \$1,645,000 to \$4,700,000. Final maturity is due on January 15, 2025 with interest rates on remaining maturities ranging from 2.0% to 5.0%.

19,960,000

Redemption: The bonds are not subject to redemption prior to their stated maturities.

School District Refunding Bonds, Series 2014 (Portion of 2006 Bonds)

The District issued \$4,260,000 of bonds dated October 2, 2014 at a premium of \$502,039 in order to provide sufficient funds to refund \$4,431,000 the remaining portion of 2006 Series Bonds issued in the original principal amount of \$7,391,000 and dated March 15, 2006 maturing on or after March 15, 2017. Annual maturities of \$375,000 to \$480,000 at interest rates ranging from 3.0% to 4.0% with final maturity on March 15, 2023.

3,900,000

Optional Redemption: The bonds maturing prior to March 15, 2025 are not subject to redemption prior to their stated maturities. The bonds maturing on or after March 15, 2025 are redeemable at the option of the Board in whole or in part on any date on or after September 15, 2024 at 100% of the principal amount plus interest accrued to the date of redemption upon notice as required herein.

TOTAL

\$ 36,425,000

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**7. NONCURRENT (LONG-TERM) DEBT (CONTINUED)**

**A. Bonds and loans payable currently outstanding are summarized as follows: (Continued)**

**Subsequent Event – \$35,000,000 School Bonds Series 2017**

The District issued bonds dated September 20, 2017 in the amount of \$35,000,000. The purpose of the bonds is to (i) provide \$15,000,000 to currently refund the Board's \$15,000,000 Temporary Notes dated January 18, 2017 and maturing October 18, 2017, originally issued to finance the acquisition of land for the construction of a new middle school; and (ii) permanently finance the acquisition of land, the associated design fees, and the partial construction of a new middle school, including fixtures, furnishings and equipment, and (iii) to permanently finance design, partial construction costs including fixtures, furnishings and equipment associated with the renovation to the Linwood Middle School. The Board also expects to receive 40% debt service aid on the eligible costs of the Projects. The bonds are payable commencing September 15, 2018 through September 15, 2042 ranging in maturing of \$825,000 to \$1,650,000 at interest rates ranging from 2.5% to 3.0%. These bonds have been reflected as bonds proceeds receivable at June 30, 2017.

The voters of the District approved a referendum on December 13, 2016 to construct a new middle school in the amount of \$77,348,000.

**Bonds Pledge**

The Bonds are general obligations of the Board and are secured by a pledge of the full faith and credit of the Board for the payment of the principal thereof and the interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes to be levied on all taxable real property in the school district, without limitation as to rate or amount. The Bonds are additionally secured by the provisions of the New Jersey School Bond Reserve Act.

**Continuing Secondary Market Disclosure**

The District in conjunction with the issuance of the Bonds has agreed to undertake and provide certain information to Bondholders on a continuing basis. The Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) "Continuing Disclosure" requirements, which the District has adopted, requires that various financial information about the District and the Municipality be provided annually to various information repositories. The requirement effective for the fiscal years ended June 30, 2016.

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.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**7. NONCURRENT (LONG-TERM) DEBT (CONTINUED)**

**B. Debt Service Requirements**

Debt service requirements on serial bonds payable at June 30, 2017 as adjusted for the September 20, 2017 bond sale are as follows:

| Fiscal Year<br>Ending June 30, | Principal            | Interest             | Total                |
|--------------------------------|----------------------|----------------------|----------------------|
| 2018                           | \$ 3,875,000         | \$ 1,501,600         | \$ 5,376,600         |
| 2019                           | 4,850,000            | 2,858,908            | 7,708,908            |
| 2020                           | 4,995,000            | 2,202,762            | 7,197,762            |
| 2021                           | 5,175,000            | 2,002,913            | 7,177,913            |
| 2022                           | 5,385,000            | 1,771,450            | 7,156,450            |
|                                | <u>24,280,000</u>    | <u>10,337,633</u>    | <u>34,617,633</u>    |
| 2023                           | 5,610,000            | 1,524,675            | 7,134,675            |
| 2024                           | 5,825,000            | 1,347,900            | 7,172,900            |
| 2025                           | 6,005,000            | 1,126,244            | 7,131,244            |
| 2026                           | 2,080,000            | 871,950              | 2,951,950            |
| 2027                           | 1,600,000            | 804,750              | 2,404,750            |
|                                | <u>21,120,000</u>    | <u>5,675,519</u>     | <u>26,795,519</u>    |
| 2028                           | 1,600,000            | 756,750              | 2,356,750            |
| 2029                           | 1,600,000            | 708,750              | 2,308,750            |
| 2030                           | 1,600,000            | 660,750              | 2,260,750            |
| 2031                           | 1,600,000            | 612,750              | 2,212,750            |
| 2032                           | 1,600,000            | 564,750              | 2,164,750            |
|                                | <u>8,000,000</u>     | <u>3,303,750</u>     | <u>11,303,750</u>    |
| 2033                           | 1,600,000            | 516,750              | 2,116,750            |
| 2034                           | 1,600,000            | 468,750              | 2,068,750            |
| 2035                           | 1,625,000            | 420,375              | 2,045,375            |
| 2036                           | 1,650,000            | 371,250              | 2,021,250            |
| 2037                           | 1,650,000            | 321,750              | 1,971,750            |
|                                | <u>8,125,000</u>     | <u>2,098,875</u>     | <u>10,223,875</u>    |
| 2038                           | 1,650,000            | 272,250              | 1,922,250            |
| 2039                           | 1,650,000            | 222,750              | 1,872,750            |
| 2040                           | 1,650,000            | 173,250              | 1,823,250            |
| 2041                           | 1,650,000            | 123,750              | 1,773,750            |
| 2042                           | 1,650,000            | 74,250               | 1,724,250            |
|                                | <u>8,250,000</u>     | <u>866,250</u>       | <u>9,116,250</u>     |
| 2043                           | 1,650,000            | 24,750               | 1,674,750            |
| Total                          | <u>\$ 71,425,000</u> | <u>\$ 22,306,777</u> | <u>\$ 93,731,777</u> |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**7. NONCURRENT (LONG-TERM) DEBT (CONTINUED)**

**B. Debt Service Requirements (Continued)**

Reconciliation to Statement of Net Position:

|   |        |                              |
|---|--------|------------------------------|
| Bonds Outstanding at June 30, 2017  | \$     | 36,425,000                   |
| Add: School District Bonds Series 2017 issued September 20, 2017                  |        | <u>35,000,000</u>            |
| <br>Total outstanding as adjusted for<br>School district Bonds Series 2017 issued | <br>\$ | <br><u><u>71,425,000</u></u> |

**C. Bonds Authorized But Not Issued**

As of June 30, 2017 the District had unissued debt authorizations as follows:

|   |        |                              |
|---|--------|------------------------------|
| November 1994 Referendum  | \$     | 1,200,000                    |
| December 13, 2016 Referendum  |        | <u>77,348,000</u>            |
| <br>Total   | <br>\$ | <br>78,548,000               |
| <br>Less Subsequent Event -<br>School District Bonds Series 2017 Issued |        | <br><u>35,000,000</u>        |
| <br>Net Debt Authorized but Not Issued as Adjusted                      | <br>\$ | <br><u><u>43,548,000</u></u> |

**D. Bond Anticipation Note**

On January 18, 2017 the District issued a Bond Anticipation Note in the amount of \$15,000,000 at 2.0% to provide temporary financing while awaiting permanent financing for a project that was approved by a referendum held on December 13, 2016. The note was paid off at maturity on October 18, 2017 utilizing bond proceeds from the School District Bond Series 2017.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**7. NONCURRENT (LONG-TERM) DEBT (CONTINUED)**

**E. Defeasance**

As a result of the accounting requirement under GASB#23/65, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the recording of the transaction related to the new vs. old debt and related costs resulted in accounting losses which in conjunction with the premium will be amortized over the remaining life of the respective bond issues using the "straight-line".

Unamortized Loss on Defeasance

| <u>Refunding Bonds</u> | <u>Loss</u>  | <u>Beginning<br/>Balance</u> | <u>Amortization</u> | <u>Ending<br/>Balance</u> |
|------------------------|--------------|------------------------------|---------------------|---------------------------|
| 2010 Series            | \$ 1,580,296 | \$ 1,978,705                 | \$ 247,338          | \$ 1,731,367              |
| 2012 Series            | 2,968,058    | 658,457                      | 131,691             | 526,766                   |
| 2015 Series            | 331,039      | 270,850                      | 30,095              | 240,755                   |
|                        |              | <u>\$ 2,908,012</u>          | <u>\$ 409,124</u>   | <u>\$ 2,498,888</u>       |

**F. Operating Lease Obligation**

The District leases twenty eight (28) copy machines and related equipment of various sizes and capability which is part of a revolving lease plan that requires the Board to pay a monthly fee plus a factor for each copy over a certain amount for forty eight (48) months, commencing June 1, 2015 through May 31, 2019. The lease payments charged to the operating budget and the minimum annual lease payments are as follows:

|      | <u>Copy<br/>Machine</u> | <u>Equipment &amp;<br/>Textbooks</u> |
|------|-------------------------|--------------------------------------|
| 2018 | \$ 316,563              | \$ 217,453                           |
| 2019 | 316,563                 | 205,118                              |
| 2020 |                         | 205,118                              |
| 2021 | -                       | 205,118                              |
| 2022 | -                       | 205,118                              |
|      | <u>\$ 633,126</u>       | <u>\$ 1,037,925</u>                  |



**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**7. NONCURRENT (LONG-TERM) DEBT (CONTINUED)**

**G. 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.

The District's employees upon retirement are compensated for their unused sick times at rates vary which with respective contracts and subject to statutory limits and dates of employment rate. The rate in all cases is a predetermined amount per day.

**8. PENSION PLANS**

**Description of Plans:** All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund that 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 of Pension 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.

**Teachers' Pension and Annuity Fund (TPAF)**

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

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Description of Plans (Continued)**

**Teachers' Pension and Annuity Fund (TPAF) (Continued)**

The following represents the membership tiers for TPAF:

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

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

**Public Employees' Retirement System (PERS)**

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

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS**

**Description of Plans (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

The following represents the membership tiers for PERS:

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

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

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Funding Policy (Continued)**

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

During the year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension costs equals annual required contribution. For PERS, which is a cost sharing multi-employer pension plan, the annual pension costs differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

**Three-Year Trend Information for PERS**

| Year<br>Funding<br>June 30, | <u>Three-Year Trend Information for PERS</u> |                |                                 | Percentage<br>of APC<br>Contributed | Employee<br>Contribution |
|-----------------------------|--|----------------|---------------------------------|-------------------------------------|--------------------------|
|                             | <u>Annual Pension Cost</u>                   |                | <u>Net Cost<br/>to District</u> |                                     |                          |
|                             | <u>Normal</u>                                | <u>Accrued</u> |                                 |                                     |                          |
| 2017                        | \$ 163,337                                   | \$ 831,239     | \$ 994,576                      | 100%                                | \$ 639,802               |
| 2016                        | 170,201                                      | 784,053        | 954,254                         | 100%                                | 592,501                  |
| 2015                        | 157,058                                      | 786,359        | 943,417                         | 100%                                | 563,998                  |

**Three-Year Trend Information for TPAF (Paid on-behalf of the District)**

| Year<br>Funding<br>June 30 | <u>Pension Paid on-behalf of District</u> |                            |                                 |                         |                               |              | Employee<br>Contribution | TPAF<br>FICA |
|----------------------------|---|----------------------------|---------------------------------|-------------------------|-------------------------------|--------------|--------------------------|--------------|
|                            | <u>Cost<br/>(APC)</u>                     | <u>APC<br/>Contributed</u> | <u>Normal<br/>&amp; Accrued</u> | <u>NCGI<br/>Premium</u> | <u>Total<br/>On-Behalf of</u> |              |                          |              |
| 2017                       | \$ None                                   | 100%                       | \$ 4,086,042                    | \$ 148,047              | \$ 4,234,089                  | \$ 2,973,475 | \$ 2,955,281             |              |
| 2016                       | None                                      | 100%                       | 2,895,667                       | 144,244                 | 3,039,911                     | 2,807,578    | 2,858,405                |              |
| 2015                       | None                                      | 100%                       | 1,848,056                       | 132,959                 | 1,981,015                     | 2,671,364    | 2,829,113                |              |

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$3,039,911 to the TPAF for normal pension. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$2,955,281 during the year ended June 30, 2017 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 individual fund statements and schedules as a revenue and expenditure in accordance with GASB 24.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

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

**Public Employees Retirement System (PERS)**

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2016 Independent Auditor's Report dated April 6, 2017.

At June 30, 2017, the District reported a liability of \$34,812,158 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 (the *Measurement Date*), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

|                              | June 30,       |                |
|------------------------------|----------------|----------------|
|                              | 2016           | 2015           |
| District Proportionate Share | 0.1175406110 % | 0.1169371652 % |
| Difference - Increase        | 0.0006034458   |                |

For the year ended June 30, 2017, the District recognized pension expense of \$3,424,642. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Changes of Assumptions                                    | \$ 7,211,220                      |                                  |
| Difference between expected and actual experience         | 647,401                           |                                  |
| Net difference between projected and actual earnings      |                                   |                                  |
| on pension plan investments                               | 1,327,419                         |                                  |
| Changes in proportion                                     | 411,115                           | \$ 163,916                       |
| District contributions subsequent to the measurement date | 1,087,258                         |                                  |
| Total   | \$ 10,684,413                     | \$ 163,916                       |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

The \$1,087,258 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---------------------------|---------------|
| 2017                      | \$ 2,068,153  |
| 2018                      | 2,068,153     |
| 2019                      | 2,396,025     |
| 2020                      | 2,013,012     |
| 2021                      | 640,696       |

Additional Information

Collective balances are as follows:

|  | <u>June 30, 2017</u><br><i>(Measurement Date: June 30, 2016)</i> |
|--|--|
| Collective deferred outflows of resources      | \$ 8,685,338,300   |
| Collective deferred inflows of resources       | 870,133,595  |
| Collective net pension liability (Local Group) | 29,617,131,759   |
| District's proportion (Local Group)            | 0.1175406110 %   |

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

|                           |                                  |
|---------------------------|----------------------------------|
| Inflation                 | 3.08 Percent                     |
| Salary Increases:         |                                  |
| Through 2026              | 1.65-4.15 Percent (based on age) |
| Thereafter                | 2.65-5.15 Percent (based on age) |
| Investment Rate of Return | 7.65 Percent                     |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

Mortality Rates

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 (*measurement date*) are summarized in the following table:

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

Long-Term Rate of Return (Continued)

| <u>Asset Class</u>            | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------------|--------------------------|---|
| Cash                          | 5.00 %                   | 0.87 %  |
| U.S. Treasuries               | 1.50                     | 1.74  |
| Investment Grade Credit       | 8.00                     | 1.79  |
| Mortgages                     | 2.00                     | 1.67  |
| High Yield Bonds              | 2.00                     | 4.56  |
| Inflation-Indexed Bonds       | 1.50                     | 3.44  |
| Broad U.S. Equities           | 26.00                    | 8.53  |
| Developed Foreign Equities    | 13.25                    | 6.83  |
| Emerging Market Equities      | 6.50                     | 9.95  |
| Private Equity                | 9.00                     | 12.40   |
| Hedge Funds / Absolute Return | 12.50                    | 4.68  |
| Real Estate (Property)        | 2.00                     | 6.91  |
| Commodities                   | 0.50                     | 5.45  |
| Global Debt ex U.S.           | 5.00                     | -0.25   |
| REIT                          | 5.25                     | 5.63  |
|                               | <u>100.00 %</u>          |   |

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the *Bond Buyer* GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.



**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

|  | June 30, 2016 |               |               |
|--|---------------|---------------|---------------|
|  | 1% Decrease   | At Current    | 1% Increase   |
|  | <u>2.98%</u>  | <u>3.98%</u>  | <u>4.98%</u>  |
| District's proportionate share<br>of the pension liability | \$ 42,658,236 | \$ 34,812,158 | \$ 28,334,540 |

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS) or by visiting their website at [www.state.nj.us/treasury/pensions/pers1](http://www.state.nj.us/treasury/pensions/pers1).

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

Data for the TPAF was abstracted from the State of New Jersey Teachers' Pension and Annuity Fund Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer as of June 30, 2016 Independent Auditor's Reports dated July 13, 2017.

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

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2016 was as follows:

|  |                |
|--|----------------|
| Net Pension Liability:                                   |                |
| District's proportionate share                           | None           |
| State's proportionate share associated with the District | \$ 298,684,842 |
|  | \$ 298,684,842 |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the proportion of the TPAF net pension liability associated with the District was .3796855669%.

|                              | June 30,       |                |
|------------------------------|----------------|----------------|
|                              | 2016           | 2015           |
| District Proportionate Share | 0.3796856650 % | 0.3664226575 % |
| Difference - Increase        | 0.0132630075   |                |

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue of \$22,442,010 for contributions provided by the State.

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

|                           |                            |
|---------------------------|----------------------------|
| Inflation                 | 2.50 Percent               |
| Salary Increases:         |                            |
| 2012-2021                 | Varies based on experience |
| Thereafter                | Varies based on experience |
| Investment Rate of Return | 7.65 Percent               |

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

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

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the table as follows:

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| US Cash                      | 5.00 %                   | 0.39 %  |
| US Government Bonds          | 1.50                     | 1.28  |
| US Credit Bonds              | 13.00                    | 2.76  |
| US Mortgages                 | 2.00                     | 2.38  |
| US Inflation-Indexed Bonds   | 1.50                     | 1.41  |
| US High Yield Bonds          | 2.00                     | 4.70  |
| US Equity Market             | 26.00                    | 5.14  |
| Foreign-Developed Equity     | 13.25                    | 5.91  |
| Emerging Markets Equity      | 6.50                     | 8.16  |
| Private Real Estate Property | 5.25                     | 3.64  |
| Timber                       | 1.00                     | 3.86  |
| Farmland                     | 1.00                     | 4.39  |
| Private Equity               | 9.00                     | 8.97  |
| Commodities                  | 0.50                     | 2.87  |
| Hedge Funds - MultiStrategy  | 5.00                     | 3.70  |
| Hedge Funds - Equity Hedge   | 3.75                     | 4.72  |
| Hedge Funds - Distressed     | <u>3.75</u>              | 3.49  |
|                              | <u>100.00 %</u>          |   |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**8. PENSION PLANS (CONTINUED)**

**Teachers Pensions and Annuity Fund (TPAF) (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the *Bond Buyer* GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the proportionate share of the net pension liability associated with the District as of June 30, 2017 (*measurement date June 30, 2016*) calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|   | 1% Decrease<br><u>2.22%</u> | At Current<br>Discount Rate<br><u>3.22%</u> | At<br>1% Increase<br><u>4.22%</u> |
|---|-----------------------------|---|-----------------------------------|
| State's proportionate share of the net pension liability associated with the District | \$ 356,629,701              | \$ 298,684,842                              | \$ 251,313,426                    |

Pension Plan Fiduciary Net Position

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

Additional Information

Collective balances of the Local Group at June 30, 2016 are as follows:

|  |                   |
|--|-------------------|
| Deferred outflows of resources                           | \$ 17,440,003,201 |
| Deferred inflows of resources                            | \$ 195,027,919    |
| Net pension liability                                    | \$ 78,666,367,052 |
| State's proportionate share associated with the District | 0.3796855669      |

Collective pension expense-Local Group for the plan for the measurement period ended June 30, 2016 is \$5,915,082,626

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**9. DEFINED CONTRIBUTION RETIREMENT PROGRAM**

Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If an eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and adjusted for membership earnings or losses. It is a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employee's Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured chief administrative officer such as the Business Administrator, County Administrator or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements other employees who hold a professional license or certificate or meet other exceptions are permitted to remain in PERS.

Contributions Required and Made

Contributions made by employees for DCRP are currently 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. Contributions to the plan were as follows:

| <u>June 30,</u> | <u>Employee</u> | <u>Employer</u> |
|-----------------|-----------------|-----------------|
| 2017            | \$ 38,257       | \$ 20,868       |
| 2016            | 38,485          | 19,901          |
| 2015            | 31,549          | 17,209          |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**10. POST-RETIREMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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, 2016, there were 110,512 retirees eligible for post-retirement medical benefits and the state contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. 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 Chapter 126, P.L. 1992, 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 \$231.20 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

Three-Year Trend Information for TPAF Medical (Paid on-behalf of the District)

| Fiscal Year Ended<br><u>June 30,</u> | <u>Post-Retirement Medical</u> |
|--------------------------------------|--------------------------------|
| 2017                                 | \$ 3,527,960                   |
| 2016                                 | 3,619,694                      |
| 2015                                 | 3,144,862                      |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**11. DEFERRED COMPENSATION**

A. IRS Code Section 403(b)

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

|                                  |                                  |
|----------------------------------|----------------------------------|
| AIG Valic                        | FTJ Fund Choice                  |
| AXA Equitable                    | New York Life Insurance Company/ |
| Lincoln Investment Planning Inc. | Mainstay Investments             |
| Security Benefit                 | MetLife                          |

B. IRS Code Section 457

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan which is administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrator is AIG – VALIC Financial Resource.

**12. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Property and Liability Insurance:** The District maintains commercial insurance coverage for property, liability 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 for the period July 1, 2013 to December 31, 2013 elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District was billed quarterly for amounts due to the State. Subsequent to January 1, 2014 the District opted to contribute to the State of New Jersey unemployment fund which requires quarterly remittances to the state for both employer and employee share. Benefits if any will get paid by the State.

**Health Benefits:** The Board of Education has procured medical insurance coverage for its employees under a "monthly premium plan" where the employees have several options to select from; prescriptions are done under a self-insured plan.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**13. INTERFUND BALANCES AND TRANSFERS**

The interfund receivable/payable as of June 30, 2017 will be liquidated in the normal course of business in the succeeding year.

|                       | <u>Receivable</u> | <u>Payable</u> |
|-----------------------|-------------------|----------------|
| Governmental Funds:   |                   |                |
| General Fund          | \$ <u>340</u>     |                |
| Capital Projects Fund |                   | \$ <u>340</u>  |

**14. RESTRICTED – CAPITAL RESERVE ACCOUNT**

A Capital Reserve Account was established by the Board by inclusion on October 10, 2000 and June 25, 2011 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. Analysis of Capital Reserve Activity since Inception:

|                                 |                  |                     |
|---------------------------------|------------------|---------------------|
| Contributions from Board        |                  |                     |
| Prior to June 30, 2016          | \$ 17,946,689    |                     |
| During year ended June 30, 2017 | <u>898,005</u>   | \$ 18,844,694       |
| Interest Earned                 |                  |                     |
| Prior to June 30, 2016          | \$ 59,853        |                     |
| During year ended June 30, 2017 | <u>12,757</u>    | \$ 72,610           |
| Less Withdrawals:               |                  |                     |
| Prior to June 30, 2016          | \$ 12,403,583    |                     |
| During year ended June 30, 2017 | <u>2,201,117</u> | \$ 14,604,700       |
| Balance June 30, 2017           |                  | <u>\$ 4,312,604</u> |

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, if 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-5.1(d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.



**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**15. FUND BALANCE APPROPRIATED**

**General Fund** - Of the \$7,945,960 General Fund fund balance at June 30, 2017, \$71,608 is assigned – for other purposes (encumbrances); \$4,312,604 is restricted for the Capital Reserve Account, \$1,605,732 is restricted for the Maintenance Reserve, \$250,000 is restricted for the emergency reserve, \$1,706,015 is unassigned.

Of the Capital Reserve fund balance \$2,214,902 and the Maintenance Reserve fund balance \$1,000,000 were included as revenue on the 2017-2018 general fund budget to offset related expenditures.

**Debt Service Fund** – Of the Debt Service Fund fund balance at June 30, 2016, \$37,499 is restricted for debt service.

**Capital Projects Fund** – Of the \$24,575,435 Capital Projects Fund fund balance at June 30, 2017 is restricted for capital projects.

**16. CONTINGENT LIABILITIES AND COMMITMENTS**

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

**B. Pending Litigation** – As of the date of this report, in the opinion of the management, there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the District. There were several matters pending that are being handled by the Board's insurance carrier which should not have any adverse impact.

**C. Interlocal Services Agreement** – The District has an agreement with the Township for reimbursement for unforeseen soil remediation at the High School. The Township adopted an Improvement Authorization to provide funds and the District actually awarded and managed the related contracts. The agreement also requires payment back to the Township for debt service.

**D. Contractual Commitments**

The District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as fund balance assigned for other purposes in the amount of \$232,012.

Subsequent to yearend a contract was awarded related to the construction of a new middle school in the amount of \$794,900.

**E. Space Rental**

The District entered into a building lease agreement to serve as classrooms or its Early Childhood Education Center. The lease is from September 1, 2015 through August 1, 2018. The lease payments are \$200,000 per year and the District is responsible for utilities. The District has embarked on a building construction program which when complete, will eliminate the annual rental obligation.

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**17. CALCULATION OF EXCESS SURPLUS – BUDGETARY BASIS**

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. There was no excess surplus as a result of the 2015-2016 or 2016-2017 school years at June 30, 2017.

**18. RECONCILIATION OF FUND BALANCE – GENERAL FUND**

The Surpluses are presented on a GAAP basis and reconciliation to the budget basis is follows:

|  | <u>Unassigned</u>   |
|--|---------------------|
| Balance on a Budget Basis on the General Fund Budgetary Basic Comparison | \$ 2,831,926        |
| Less: Allocation of state aid payment not recognized on a GAAP basis     | 1,125,911           |
|  | <b>\$ 1,706,015</b> |

**19. 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.

**20. NET POSITION – NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets, Governmental Activities, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. The net investment in capital assets of \$64,422,278 indicated as part of the Governmental Activities net position is calculated as follows:

|  | <u>Amount</u>        |
|--|----------------------|
| Capital assets, net of depreciation  | \$ 111,276,762       |
| Bonds payable (used to build or acquire capital assets)                      | (36,425,000)         |
| Bond Anticipation Notes - Proceeds (used to build or acquire capital assets) | (10,829,551)         |
| Deferred loss on defeasance of debt  | 2,498,888            |
| Unamortized deferred premium   | (2,098,823)          |
|  | <b>\$ 64,422,276</b> |

**NORTH BRUNSWICK TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

**21. TAX ABATEMENTS**

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

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

The Township of North Brunswick provides for long-term tax exemptions, as authorized by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Township of North Brunswick are for senior citizen housing projects and a technology center. Taxes abated include municipal, local school and county taxes.

The Township of North Brunswick recognized revenue of \$1,551,112 from the annual service charge in lieu of payment of taxes in 2017 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$2,164,714 based upon the assessed valuations of the long-term tax exemptions properties. A portion of the \$2,164,714 abatement would have been allocated to the District.

|  | Original<br>Budget   | Budget<br>Transfers | Final<br>Budget      | Actual                | Variance<br>Final to Actual |
|--|----------------------|---------------------|----------------------|-----------------------|-----------------------------|
| <b>REVENUES:</b>   |                      |                     |                      |                       |                             |
| Local sources:   |                      |                     |                      |                       |                             |
| Local tax levy   | \$ 76,515,723        |                     | \$ 76,515,723        | \$ 76,515,723         |                             |
| Transportation Fees  | 110,000              |                     | 110,000              | 114,161               | \$ 4,161                    |
| Miscellaneous  | 113,000              |                     | 113,000              | 454,061               | 341,061                     |
| Interest Earned on Capital Reserve                               |                      |                     |                      | 12,757                | 12,757                      |
| <b>Total - local sources</b>                                     | <b>\$ 76,738,723</b> |                     | <b>\$ 76,738,723</b> | <b>\$ 77,096,702</b>  | <b>\$ 357,979</b>           |
| State sources:   |                      |                     |                      |                       |                             |
| Special Education Categorical Aid                                | \$ 3,679,455         |                     | \$ 3,679,455         | \$ 3,679,455          |                             |
| Equalization Aid   | 6,617,008            |                     | 6,617,008            | 6,617,008             |                             |
| Extraordinary aid  | 500,000              |                     | 500,000              | 2,000,640             | \$ 1,500,640                |
| Security Aid   | 553,681              |                     | 553,681              | 553,681               |                             |
| Adequacy Aid   | 329,331              |                     | 329,331              | 329,331               |                             |
| Transportation Aid   | 494,496              |                     | 494,496              | 494,496               |                             |
| PARCC Readiness Aid  | 63,190               |                     | 63,190               | 63,190                |                             |
| Per Pupil Growth Aid   | 63,190               |                     | 63,190               | 63,190                |                             |
| Professional Learning Community Aid                              | 62,140               |                     | 62,140               | 62,140                |                             |
| Non Public Transportation Aid                                    |                      |                     |                      | 64,334                | 64,334                      |
| On behalf - TPAF - Pension Contribution (Non-budgeted)           |                      |                     |                      | 4,234,089             | 4,234,089                   |
| On behalf - TPAF - Post Retirement Medical (Non-budgeted)        |                      |                     |                      | 3,527,960             | 3,527,960                   |
| On behalf - TPAF - Long-Term Disability Insurance (Non-budgeted) |                      |                     |                      | 11,398                | 11,398                      |
| Reimbursed TPAF social security contributions (Non-budgeted)     |                      |                     |                      | 2,955,281             | 2,955,281                   |
| <b>Total - state sources</b>                                     | <b>\$ 12,362,491</b> |                     | <b>\$ 12,362,491</b> | <b>\$ 24,656,193</b>  | <b>\$ 12,293,702</b>        |
| Federal sources:   |                      |                     |                      |                       |                             |
| Medical Assistance Program                                       | \$ 100,643           |                     | 100,643              | \$ 177,331            | \$ 76,688                   |
| <b>Total - federal sources</b>                                   | <b>\$ 100,643</b>    |                     | <b>\$ 100,643</b>    | <b>\$ 177,331</b>     | <b>\$ 76,688</b>            |
| <b>TOTAL REVENUES</b>  | <b>\$ 89,201,857</b> |                     | <b>\$ 89,201,857</b> | <b>\$ 101,930,226</b> | <b>\$ 12,728,369</b>        |

|  | Original<br>Budget   | Budget<br>Transfers | Final<br>Budget      | Actual               | Variance<br>Final to Actual |
|--|----------------------|---------------------|----------------------|----------------------|-----------------------------|
| <b>EXPENDITURES:</b>                               |                      |                     |                      |                      |                             |
| <b>CURRENT EXPENSE:</b>                            |                      |                     |                      |                      |                             |
| Regular programs - instruction:                    |                      |                     |                      |                      |                             |
| Salaries of teachers:                              |                      |                     |                      |                      |                             |
| Kindergarten                                       | \$ 1,460,747         | \$ 3,303            | \$ 1,464,050         | \$ 1,464,050         |                             |
| Grades 1 - 5                                       | 8,916,871            | 178,970             | 9,095,841            | 9,095,841            |                             |
| Grades 6 - 8                                       | 5,597,627            | (13,334)            | 5,584,293            | 5,582,464            | \$ 1,829                    |
| Grades 9 - 12                                      | 7,737,979            | 251,179             | 7,989,158            | 7,989,158            |                             |
|  | <u>\$ 23,713,224</u> | <u>420,118</u>      | <u>\$ 24,133,342</u> | <u>\$ 24,131,513</u> | <u>\$ 1,829</u>             |
| Regular programs - home instruction:               |                      |                     |                      |                      |                             |
| Salaries of teachers                               |                      | \$ 6,319            | \$ 6,319             | \$ 6,319             |                             |
| Purchased professional - education services        | 70,000               | 65,356              | 135,356              | 135,356              |                             |
| Total regular programs - home instruction          | <u>\$ 70,000</u>     | <u>71,675</u>       | <u>\$ 141,675</u>    | <u>\$ 141,675</u>    |                             |
| Regular programs - undistributed instruction:      |                      |                     |                      |                      |                             |
| Other salaries for instruction                     | \$ 165,678           | \$ 39,845           | \$ 205,523           | \$ 205,523           |                             |
| Purchased professional - educational services      | 1,000                |                     | 1,000                |                      | \$ 1,000                    |
| Other purchased services (400-500 Series)          | 521,661              | 20,771              | 542,432              | 541,097              | 1,335                       |
| General supplies                                   | 718,452              | (40,794)            | 677,658              | 655,321              | 22,337                      |
| Other objects                                      | 24,187               | 681                 | 24,868               | 24,868               |                             |
| Total regular programs - undistributed instruction | <u>\$ 1,430,978</u>  | <u>\$ 20,503</u>    | <u>\$ 1,451,481</u>  | <u>\$ 1,426,809</u>  | <u>\$ 24,672</u>            |
| Total regular programs - instructions              | <u>\$ 25,214,202</u> | <u>\$ 512,296</u>   | <u>\$ 25,726,498</u> | <u>\$ 25,699,997</u> | <u>\$ 26,501</u>            |
| Special education instruction:                     |                      |                     |                      |                      |                             |
| Learning and/or language disabilities:             |                      |                     |                      |                      |                             |
| Salaries of teachers                               | \$ 814,826           | \$ 2,097            | \$ 816,923           | \$ 816,923           |                             |
| Other salaries for instruction                     | 383,314              | 103,988             | 487,302              | 487,302              |                             |
| General supplies                                   | 46,558               | (9,095)             | 37,463               | 34,603               | \$ 2,860                    |
| Total learning and/or language disabilities        | <u>\$ 1,244,698</u>  | <u>\$ 96,990</u>    | <u>\$ 1,341,688</u>  | <u>\$ 1,338,828</u>  | <u>\$ 2,860</u>             |
| Behavioral Disabilities:                           |                      |                     |                      |                      |                             |
| Salaries of teachers                               | \$ 179,181           | \$ 19,742           | \$ 198,923           | \$ 198,923           |                             |
| Other salaries for instruction                     | 52,971               | 31,491              | 84,462               | 84,462               |                             |
| General Supplies                                   | 13,416               | (6,231)             | 7,185                | 7,185                |                             |
| Total Behavioral Disabilities                      | <u>\$ 245,568</u>    | <u>\$ 45,002</u>    | <u>\$ 290,570</u>    | <u>\$ 290,570</u>    |                             |

|   | Original<br>Budget  | Budget<br>Transfers | Final<br>Budget     | Actual              | Variance<br>Final to Actual |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| Multiple Disabilities:                        |                     |                     |                     |                     |                             |
| Salaries of teachers                          | \$ 121,466          | \$ (8,365)          | \$ 113,101          | \$ 113,101          |                             |
| Other salaries for instruction                | 39,430              | 41,371              | 80,801              | 80,801              |                             |
| General supplies                              | 26,500              | (4,086)             | 22,414              | 22,215              | \$ 199                      |
| <b>Total Multiple Disabilities</b>            | <b>\$ 187,396</b>   | <b>\$ 28,920</b>    | <b>\$ 216,316</b>   | <b>\$ 216,117</b>   | <b>\$ 199</b>               |
| Resource room/resource center:                |                     |                     |                     |                     |                             |
| Salaries of teachers                          | \$ 4,666,256        | \$ (213,109)        | \$ 4,453,147        | \$ 4,453,147        | \$                          |
| Other salaries for instruction                | 795,915             | (115,255)           | 680,660             | 680,660             |                             |
| General supplies                              | 4,604               | 4,037               | 8,641               | 6,108               | 2,533                       |
| <b>Total resource room/resource center</b>    | <b>\$ 5,466,775</b> | <b>\$ (324,327)</b> | <b>\$ 5,142,448</b> | <b>\$ 5,139,915</b> | <b>\$ 2,533</b>             |
| Autism:                                       |                     |                     |                     |                     |                             |
| Salaries of teachers                          | \$ 353,737          | \$ 110,721          | \$ 464,458          | \$ 464,458          |                             |
| Other salaries for instruction                | 444,250             | 8,162               | 452,412             | 452,412             |                             |
| General Supplies                              | 23,928              | (4,040)             | 19,888              | 19,788              | \$ 100                      |
| <b>Total Autism</b>                           | <b>\$ 821,915</b>   | <b>\$ 114,843</b>   | <b>\$ 936,758</b>   | <b>\$ 936,658</b>   | <b>\$ 100</b>               |
| Preschool disabilities - part-time:           |                     |                     |                     |                     |                             |
| Salaries of teachers                          | \$ 179,213          | \$ (42,950)         | \$ 136,263          | \$ 132,455          | \$ 3,808                    |
| Other salaries for instruction                | 168,943             | 94,768              | 263,711             | 261,572             | 2,139                       |
| General supplies                              | 8,000               | (7,467)             | 533                 | 533                 |                             |
| <b>Total preschool disabilities-part-time</b> | <b>\$ 356,156</b>   | <b>\$ 44,351</b>    | <b>\$ 400,507</b>   | <b>\$ 394,560</b>   | <b>\$ 5,947</b>             |
| Preschool disabilities - full time            |                     |                     |                     |                     |                             |
| Salaries of teachers                          | \$ 177,819          | \$ (57,291)         | \$ 120,528          | \$ 120,528          |                             |
| Other salaries for instruction                | 88,028              | 38,035              | 126,063             | 126,063             |                             |
| General supplies                              |                     | 1,554               | 1,554               | 1,358               | \$ 196                      |
| <b>Total preschool disabilities-full-time</b> | <b>\$ 265,847</b>   | <b>\$ (17,702)</b>  | <b>\$ 248,145</b>   | <b>\$ 247,949</b>   | <b>196</b>                  |
| Home Instruction:                             |                     |                     |                     |                     |                             |
| Salaries of teachers                          | \$ 25,000           | \$ 3,760            | \$ 28,760           | \$ 28,110           | \$ 650                      |
| Purchased professional-educational services   | 30,000              | 66,824              | 96,824              | 96,824              |                             |
| <b>Total home instruction</b>                 | <b>\$ 55,000</b>    | <b>\$ 70,584</b>    | <b>\$ 125,584</b>   | <b>\$ 124,934</b>   | <b>\$ 650</b>               |
| <b>Total special education - instruction</b>  | <b>\$ 8,643,355</b> | <b>\$ 58,661</b>    | <b>\$ 8,702,016</b> | <b>\$ 8,689,531</b> | <b>\$ 12,485</b>            |

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual        | Variance<br>Final to Actual |
|---|--------------------|---------------------|-----------------|---------------|-----------------------------|
| Basic skills/remedial - Instruction:                                  |                    |                     |                 |               |                             |
| Salaries of teachers  | \$ 1,948,726       | \$ (16,774)         | \$ 1,931,952    | \$ 1,931,952  |                             |
| General supplies  | 3,000              | 2,000               | 5,000           | 4,704         | \$ 296                      |
| Total basic skills/remedial - Instruction                             | \$ 1,951,726       | \$ (14,774)         | \$ 1,936,952    | \$ 1,936,656  | \$ 296                      |
| Bilingual education - Instruction:                                    |                    |                     |                 |               |                             |
| Salaries of teachers  | \$ 835,244         | \$ (5,571)          | \$ 829,673      | \$ 829,673    |                             |
| Other salaries for instruction  | 14,924             | 450                 | 15,374          | 15,374        |                             |
| General supplies  | 3,106              |                     | 3,106           | 1,316         | \$ 1,790                    |
| Total bilingual education - Instruction                               | \$ 853,274         | \$ (5,121)          | \$ 848,153      | \$ 846,363    | \$ 1,790                    |
| School sponsored co/extra - curricular activities - Instructions:     |                    |                     |                 |               |                             |
| Salaries  | \$ 285,212         | \$ (34,046)         | \$ 251,166      | \$ 251,135    | \$ 31                       |
| Supplies and materials  | 63,333             | 1,031               | 64,364          | 55,301        | 9,063                       |
| Total school sponsored co/extra - curricular activities - Instruction | \$ 348,545         | \$ (33,015)         | \$ 315,530      | \$ 306,436    | \$ 9,094                    |
| School sponsored athletics - Instruction:                             |                    |                     |                 |               |                             |
| Salaries  | \$ 586,371         | (43,105)            | \$ 543,266      | \$ 541,032    | \$ 2,234                    |
| Purchased services (300-500 Series)                                   | 114,021            | 6,000               | 120,021         | 115,286       | 4,735                       |
| Supplies and materials  | 195,600            | (3,500)             | 192,100         | 174,498       | 17,602                      |
| Other objects   | 63,472             | (12,000)            | 51,472          | 48,833        | 2,639                       |
| Total school sponsored athletic activities                            | \$ 959,464         | \$ (52,605)         | \$ 906,859      | \$ 879,649    | \$ 27,210                   |
| Before/After School programs:   |                    |                     |                 |               |                             |
| Salaries  | \$ 135,750         | (19,915)            | \$ 115,835      | \$ 115,835    |                             |
| TOTAL Before/After School Programs                                    | \$ 135,750         | (19,915)            | \$ 115,835      | \$ 115,835    |                             |
| Total special programs  | \$ 4,248,759       | \$ (125,430)        | \$ 4,123,329    | \$ 4,084,939  | \$ 38,390                   |
| Total instructional programs  | \$ 38,106,316      | \$ 445,527          | \$ 38,551,843   | \$ 38,474,467 | \$ 77,376                   |
| Undistributed expenditures:   |                    |                     |                 |               |                             |
| Instruction:  |                    |                     |                 |               |                             |
| Tuition to other LEAs within the state - regular                      | \$ 283,596         | \$ (197,299)        | \$ 86,297       | \$ 85,746     | \$ 551                      |
| Tuition to other LEAs within the state - special                      | 726,950            | (67,376)            | 659,574         | 654,322       | 5,252                       |
| Tuition to CSSD and regular day schools                               | 90,100             | 51,049              | 141,149         | 137,785       | 3,364                       |
| Tuition to private schools-disabled within the state                  | 1,317,355          | 237,834             | 1,555,189       | 1,554,029     | 1,160                       |
| Tuition - state facilities  | 86,811             | (86,811)            |                 |               |                             |
| Total undistributed expenditures - instruction                        | \$ 2,504,812       | \$ (62,603)         | \$ 2,442,209    | \$ 2,431,882  | \$ 10,327                   |

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual       | Variance<br>Final to Actual |
|---|--------------------|---------------------|-----------------|--------------|-----------------------------|
| Attendance and social work:                             |                    |                     |                 |              |                             |
| Salaries  | \$ 53,000          | \$ 10,359           | \$ 63,359       | \$ 63,359    |                             |
| Total attendance and Social Work                        | \$ 53,000          | \$ 10,359           | \$ 63,359       | \$ 63,359    |                             |
| Health services:  |                    |                     |                 |              |                             |
| Salaries  | \$ 558,645         | \$ 78,547           | \$ 637,192      | \$ 637,192   |                             |
| Purchased professional and technical services           | 12,000             | (2,175)             | 9,825           | 8,872        | \$ 953                      |
| Other purchased services (400-500 Series)               | 1,900              |                     | 1,900           | 401          | 1,499                       |
| Supplies and materials                                  | 46,445             | (18,946)            | 27,499          | 27,321       | 178                         |
| Total health services                                   | \$ 618,990         | \$ 57,426           | \$ 676,416      | \$ 673,786   | \$ 2,630                    |
| Other support services - student-related services:      |                    |                     |                 |              |                             |
| Salaries  | \$ 653,025         | \$ (708)            | \$ 652,317      | \$ 652,317   |                             |
| Purchased professional - educational services           | 257,064            | 15,168              | 272,232         | 272,232      |                             |
| Supplies and materials                                  | 4,550              | 851                 | 5,401           | 5,401        |                             |
| Total other support services - student-related services | \$ 914,639         | \$ 15,311           | \$ 929,950      | \$ 929,950   |                             |
| Other support services - student extra services         |                    |                     |                 |              |                             |
| Salaries  | \$ 367,994         | \$ (102,098)        | \$ 265,896      | \$ 265,896   |                             |
| Purchased professional - educational services           | 660,651            | (106,008)           | 554,643         | 552,905      | \$ 1,738                    |
| Supplies and Materials                                  | 5,000              | (4,132)             | 868             | 581          | 287                         |
| Total other support services - student-extra services   | \$ 1,033,645       | \$ (212,238)        | \$ 821,407      | \$ 819,382   | \$ 2,025                    |
| Other support services - students - regular:            |                    |                     |                 |              |                             |
| Salaries of other professional staff                    | \$ 1,166,085       | \$ (12,588)         | \$ 1,153,497    | \$ 1,153,497 |                             |
| Salaries of secretarial & clerical assistants           | 96,272             | 1,837               | 98,109          | 98,109       |                             |
| Purchased professional - educational services           | 27,348             | (23,578)            | 3,770           | 3,770        |                             |
| Other purchased services (400-500 Series)               | 20,000             | 98,076              | 118,076         | 115,707      | \$ 2,369                    |
| Supplies and materials                                  | 9,000              | (8,225)             | 775             |              | 775                         |
| Other Objects   | 1,610              | (1,610)             |                 |              |                             |
| Total other support services - students - regular       | \$ 1,320,315       | \$ 53,912           | \$ 1,374,227    | \$ 1,371,083 | \$ 3,144                    |
| Other support services - students - special:            |                    |                     |                 |              |                             |
| Salaries of other professional staff                    | \$ 2,178,679       | \$ 3,322            | \$ 2,182,001    | \$ 2,182,001 |                             |
| Salaries of secretarial & clerical assistants           | 280,078            | 1,561               | 281,639         | 281,639      |                             |
| Purchased professional - educational services           | 19,275             | 146,011             | 165,286         | 165,286      |                             |
| Other purchased professional and technical services     | 1,050              |                     | 1,050           | 1,050        |                             |
| Miscellaneous purchased services (400-500 Series)       | 5,000              | (3,743)             | 1,257           | 1,257        |                             |
| Supplies and materials                                  | 43,050             | 3,751               | 46,801          | 46,310       | \$ 491                      |
| Other Objects   | 8,800              | (66)                | 8,734           | 8,734        |                             |
| Total other support services - students - special       | \$ 2,535,932       | \$ 150,836          | \$ 2,686,768    | \$ 2,686,277 | \$ 491                      |



|  | Original<br>Budget  | Budget<br>Transfers | Final<br>Budget     | Actual              | Variance<br>Final to Actual |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| <b>Improvement of instructional services:</b>          |                     |                     |                     |                     |                             |
| Salaries of supervisors of instruction                 | \$ 2,202,425        | \$ (147,608)        | \$ 2,054,817        | \$ 2,054,817        |                             |
| Salaries of other professional staff                   | 25,000              | 8,519               | 33,519              | 33,519              |                             |
| Salaries of secretarial & clerical assistants          | 91,423              | 3,085               | 94,508              | 94,508              |                             |
| Travel   | 3,000               |                     | 3,000               | 2,018               | \$ 982                      |
| Other objects  |                     | 19,680              | 19,680              | 19,605              | 75                          |
| <b>Total improvement of instructional services</b>     | <b>\$ 2,321,848</b> | <b>\$ (116,324)</b> | <b>\$ 2,205,524</b> | <b>\$ 2,204,467</b> | <b>\$ 1,057</b>             |
| <b>Educational media services/school library:</b>      |                     |                     |                     |                     |                             |
| Salaries   | \$ 514,663          | \$ (25,340)         | \$ 489,323          | \$ 487,672          | \$ 1,651                    |
| Supplies and materials                                 | 28,072              | (1,800)             | 26,272              | 21,434              | 4,838                       |
| <b>Total educational media services/school library</b> | <b>\$ 542,735</b>   | <b>\$ (27,140)</b>  | <b>\$ 515,595</b>   | <b>\$ 509,106</b>   | <b>\$ 6,489</b>             |
| <b>Instructional staff training services:</b>          |                     |                     |                     |                     |                             |
| Salaries of other professional staff                   | \$ 35,000           | \$ 7,667            | \$ 42,667           | \$ 42,667           |                             |
| Salaries of secretarial & clerical assistants          |                     | 239                 | 239                 | 239                 |                             |
| Purchased professional - educational services          | 109,095             | (33,583)            | 75,512              | 72,280              | \$ 3,232                    |
| Other purchased prof. and tech. services               |                     | 220                 | 220                 | 165                 | 55                          |
| Other purchased services (400-500 Series)              | 80,325              | (13,386)            | 66,939              | 62,557              | 4,382                       |
| Supplies and materials                                 | 3,000               | (1,000)             | 2,000               | 1,743               | 257                         |
| Other Objects  | 8,500               | 1,750               | 10,250              | 10,230              | 20                          |
| <b>Total instructional staff training services</b>     | <b>\$ 235,920</b>   | <b>\$ (38,093)</b>  | <b>\$ 197,827</b>   | <b>\$ 189,881</b>   | <b>\$ 7,946</b>             |
| <b>Support services - general administration:</b>      |                     |                     |                     |                     |                             |
| Salaries   | \$ 734,021          | \$ 34,809           | 768,830             | \$ 743,722          | \$ 25,108                   |
| Legal services   | 195,000             | (25,107)            | 169,893             | 169,893             |                             |
| Audit fee  | 45,000              | 44,500              | 89,500              | 43,000              | 46,500                      |
| Architects/Engineering services                        | 15,000              | (15,000)            |                     |                     |                             |
| Other purchased professional services                  | 20,965              | 19,638              | 40,603              | 40,603              |                             |
| Purchased technical services                           | 45,285              | 14,683              | 59,968              | 59,968              |                             |
| Communications/telephone                               | 256,344             | (97,506)            | 158,838             | 157,659             | 1,179                       |
| BOE other purchased services                           | 5,000               |                     | 5,000               | 4,194               | 806                         |
| Other purchased services (400-500)                     | 365,584             | (40,174)            | 325,410             | 325,255             | 155                         |
| General supplies                                       | 20,600              | 11,772              | 32,372              | 30,492              | 1,880                       |
| Miscellaneous expenditures                             | 21,746              | (4,368)             | 17,378              | 15,826              | 1,552                       |
| BOE membership dues and fees                           | 32,500              | 42,073              | 74,573              | 74,573              |                             |
| <b>Total support services - general administration</b> | <b>\$ 1,757,045</b> | <b>\$ (14,680)</b>  | <b>\$ 1,742,365</b> | <b>\$ 1,665,185</b> | <b>\$ 77,180</b>            |

|   | Original<br>Budget  | Budget<br>Transfers | Final<br>Budget     | Actual              | Variance<br>Final to Actual |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| Support services - school administration:               |                     |                     |                     |                     |                             |
| Salaries of principals/assistant principals             | \$ 1,925,167        | \$ 21,115           | \$ 1,946,282        | \$ 1,946,282        |                             |
| Salaries of other professional staff                    | 274,850             | (133,676)           | 141,174             | 141,174             |                             |
| Salaries of secretarial and clerical assistants         | 793,096             | 9,427               | 802,523             | 802,523             |                             |
| Other purchased services (400-500 Series)               | 3,500               | (480)               | 3,020               | 281                 | \$ 2,739                    |
| Supplies and materials                                  | 35,292              | (4,873)             | 30,419              | 26,273              | 4,146                       |
| Other objects   | 1,675               | 13,195              | 14,870              | 13,420              | 1,450                       |
| <b>Total support services - school administration</b>   | <b>\$ 3,033,580</b> | <b>\$ (95,292)</b>  | <b>\$ 2,938,288</b> | <b>\$ 2,929,953</b> | <b>\$ 8,335</b>             |
| Central services:                                       |                     |                     |                     |                     |                             |
| Salaries  | \$ 490,852          | \$ (93,301)         | \$ 397,551          | \$ 397,551          |                             |
| Purchased professional services                         | 43,208              | (4,208)             | 39,000              | 39,000              |                             |
| Purchased technical services                            | 25,550              | (20,792)            | 4,758               | 1,990               | \$ 2,768                    |
| Miscellaneous purchased services (400-500 Series)       | 4,000               |                     | 4,000               | 2,435               | 1,565                       |
| Supplies and materials                                  | 15,600              | (4,677)             | 10,923              | 7,393               | 3,530                       |
| Interest on lease purchase agreements                   |                     | 124,050             | 124,050             | 124,050             |                             |
| Other Objects   |                     | 1,180               | 1,180               | 1,180               |                             |
| <b>Total central services</b>                           | <b>\$ 579,210</b>   | <b>\$ 2,252</b>     | <b>\$ 581,462</b>   | <b>\$ 573,599</b>   | <b>\$ 7,863</b>             |
| Admin. Info. technology:                                |                     |                     |                     |                     |                             |
| Salaries  | \$ 660,953          | \$ 51,130           | \$ 712,083          | \$ 712,083          |                             |
| Purchased technical services                            | 175,419             |                     | 175,419             | 175,226             | \$ 193                      |
| Other purchased services (400-500 Series)               | 2,000               |                     | 2,000               | 1,466               | 534                         |
| Supplies and materials                                  | 85,000              | (4,954)             | 80,046              | 79,880              | 166                         |
| Other objects   | 350                 |                     | 350                 | 342                 | 8                           |
| <b>Total admin. Info. technology</b>                    | <b>\$ 923,722</b>   | <b>\$ 46,176</b>    | <b>\$ 969,898</b>   | <b>\$ 968,997</b>   | <b>\$ 901</b>               |
| Required maintenance for school facilities:             |                     |                     |                     |                     |                             |
| Salaries  | \$ 1,058,811        | \$ (147,685)        | \$ 911,126          | \$ 911,126          |                             |
| Cleaning, repair and maintenance services               | 272,488             | 234,664             | 507,152             | 503,429             | \$ 3,723                    |
| General supplies  | 181,200             | 175,643             | 356,843             | 356,590             | 253                         |
| <b>Total required maintenance for school facilities</b> | <b>\$ 1,512,499</b> | <b>\$ 262,622</b>   | <b>\$ 1,775,121</b> | <b>\$ 1,771,145</b> | <b>\$ 3,976</b>             |

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual       | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|--------------|-----------------------------|
| Other operation and maintenance of plant:                                      |                    |                     |                 |              |                             |
| Salaries   | \$ 1,890,379       | \$ 145,847          | 2,036,226       | \$ 2,035,675 | \$ 551                      |
| Salaries of non-instructional aids   | 546,238            | (11,491)            | 534,747         | 534,317      | 430                         |
| Cleaning, repair and maintenance services                                      | 93,400             | (17,546)            | 75,854          | 74,238       | 1,616                       |
| Rental of land and bldg. other than lease pur agrmt                            | 200,000            |                     | 200,000         | 200,000      |                             |
| Other purchased property services  | 115,000            | (5,200)             | 109,800         | 106,752      | 3,048                       |
| Insurance  | 240,390            | (12,664)            | 227,726         | 222,756      | 4,970                       |
| Travel   |                    | 2,185               | 2,185           | 300          | 1,885                       |
| Miscellaneous purchased services   | 4,000              | (3,000)             | 1,000           |              | 1,000                       |
| General supplies   | 292,200            | 19,163              | 311,363         | 299,480      | 11,883                      |
| Energy (Natural Gas)   | 360,000            | (106,539)           | 253,461         | 253,461      |                             |
| Energy (Electricity)   | 1,511,468          | (419,825)           | 1,091,643       | 1,091,643    |                             |
| Other Objects  | 5,000              | (4,820)             | 180             | 180          |                             |
| Total other operation and maintenance of plant                                 | \$ 5,258,075       | \$ (413,890)        | \$ 4,844,185    | \$ 4,818,802 | \$ 25,383                   |
| Total operation and maintenance of plant services                              | \$ 6,770,574       | \$ (151,268)        | \$ 6,619,306    | \$ 6,589,947 | \$ 29,359                   |
| Care and upkeep of grounds   |                    |                     |                 |              |                             |
| Salaries   | \$ 192,535         | 20,717              | \$ 213,252      | \$ 213,252   |                             |
| General supplies   | 9,500              | (9,327)             | 173             | 173          |                             |
| Total care and upkeep of grounds   | \$ 202,035         | 11,390              | \$ 213,425      | \$ 213,425   |                             |
| Security:  |                    |                     |                 |              |                             |
| Salaries   | \$ 326,347         | \$ 86,937           | \$ 413,284      | \$ 413,284   |                             |
| General supplies   | 15,000             | (15,000)            |                 |              |                             |
| Total security   | \$ 341,347         | 71,937              | \$ 413,284      | \$ 413,284   |                             |
| Student transportation services:   |                    |                     |                 |              |                             |
| Salaries of Pupil transportation (between home and school) - regular           | \$ 474,314         | \$ (77,813)         | \$ 396,501      | \$ 393,858   | \$ 2,643                    |
| Salaries of Pupil transportation (between home and school) - special education | 242,030            | 282,668             | 524,698         | 524,698      |                             |
| Other purchased professional and technical services                            | 13,100             | 3,445               | 16,545          | 16,545       |                             |
| Cleaning, repair and maintenance services                                      | 21,500             | 871                 | 22,371          | 22,371       |                             |
| Contracted services - aid in lieu of payments - nonpublic schools              | 218,400            | (33,464)            | 184,936         | 184,936      |                             |
| Contracted services (between home and school) - vendors                        | 1,701,015          | 71,086              | 1,772,101       | 1,769,634    | 2,467                       |
| Contracted services (other than between home and school) - vendors             | 357,917            | 30,653              | 388,570         | 368,925      | 19,645                      |
| Contracted services (between home and school) - joint agreements               | 282,370            | 111,567             | 393,937         | 393,937      |                             |
| Contracted services (special education students) - vendors                     | 1,353,028          | (63,200)            | 1,289,828       | 1,284,577    | 5,251                       |
| Travel   | 1,100              | (1,000)             | 100             | 100          |                             |
| Supplies and Materials   | 164,910            | (6,026)             | 158,884         | 158,884      |                             |
| Miscellaneous expenditures   | 6,025              | 362                 | 6,387           | 6,387        |                             |
| Total student transportation services  | \$ 4,835,709       | 319,149             | \$ 5,154,858    | \$ 5,124,852 | \$ 30,006                   |

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual        | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|---------------|-----------------------------|
| Unallocated benefits - Employee benefits:                        |                    |                     |                 |               |                             |
| Social security contribution                                     | \$ 1,157,040       | \$ (67,881)         | \$ 1,089,159    | \$ 1,089,159  |                             |
| Other retirement contributions - regular                         | 1,100,000          | (22,060)            | 1,077,940       | 1,077,840     | \$ 100                      |
| Unemployment compensation  | 200,000            | 18,614              | 218,614         | 218,614       |                             |
| Workmen's compensation   | 474,236            | 34,191              | 508,427         | 508,427       |                             |
| Health benefits  | 16,905,646         | (958,211)           | 15,947,435      | 15,947,435    |                             |
| Tuition reimbursement  | 105,000            | 2,102               | 107,102         | 107,026       | 76                          |
| Other employee benefits  | 232,000            | 66,564              | 298,564         | 298,564       |                             |
| Total unallocated benefits                                       | \$ 20,173,922      | \$ (926,681)        | \$ 19,247,241   | \$ 19,247,065 | \$ 176                      |
| On behalf - TPAF - Pension Contribution (Non-budgeted)           |                    |                     |                 | \$ 4,234,089  | \$ (4,234,089)              |
| On behalf - TPAF - Post Retirement Medical (Non-budgeted)        |                    |                     |                 | 3,527,960     | (3,527,960)                 |
| On behalf - TPAF - Long-Term Disability Insurance (Non-budgeted) |                    |                     |                 | 11,398        | (11,398)                    |
| Reimbursed TPAF social security contributions (Non-budgeted)     |                    |                     |                 | 2,955,281     | (2,955,281)                 |
| Total on behalf - Contributions                                  |                    |                     |                 | \$ 10,728,728 | \$ (10,728,728)             |
| Total personal services - employee benefits                      | \$ 20,173,922      | \$ (926,681)        | \$ 19,247,241   | \$ 29,975,793 | \$ (10,728,552)             |
| Total undistributed expenditures                                 | \$ 50,698,980      | \$ (905,571)        | \$ 49,793,409   | \$ 60,334,208 | \$ (10,540,799)             |
| TOTAL EXPENDITURES - CURRENT EXPENSE                             | \$ 88,805,296      | \$ (460,044)        | \$ 88,345,252   | \$ 98,808,675 | \$ (10,463,423)             |
| CAPITAL OUTLAY:  |                    |                     |                 |               |                             |
| Equipment:   |                    |                     |                 |               |                             |
| Undistributed expenditures:                                      |                    |                     |                 |               |                             |
| Support services - students - special                            |                    | \$ 3,336            | \$ 3,336        | \$ 3,336      |                             |
| School buses - regular   |                    | 488,564             | 488,564         | 488,564       |                             |
| Total equipment  |                    | \$ 491,900          | \$ 491,900      | \$ 491,900    |                             |
| Facilities acquisition and construction services:                |                    |                     |                 |               |                             |
| Other purchased professional and technical services              | \$ 100,000         | \$ 25,033           | \$ 125,033      | \$ 125,033    |                             |
| Construction services  | 1,420,000          | (11,132)            | 1,408,868       | 856,768       | \$ 552,100                  |
| Land and Improvements  | 30,500             | 27,625              | 58,125          | 47,520        | 10,605                      |
| Assessment for Debt Service on SDA Funding                       | 263,945            |                     | 263,945         | 263,945       |                             |
| Total facilities acquisition and construction services           | \$ 1,814,445       | 41,526              | \$ 1,855,971    | \$ 1,293,266  | \$ 562,705                  |
| TOTAL EXPENDITURES - CAPITAL OUTLAY                              | \$ 1,814,445       | \$ 533,426          | \$ 2,347,871    | \$ 1,785,166  | \$ 562,705                  |
| Transfer of funds to charter schools                             | \$ 1,134,332       | \$ 596,853          | \$ 1,731,185    | \$ 1,731,185  |                             |
| Total transfer of funds to charter schools                       | \$ 1,134,332       | \$ 596,853          | \$ 1,731,185    | \$ 1,731,185  |                             |

|   | Original<br>Budget  | Budget<br>Transfers | Final<br>Budget     | Actual              | Variance<br>Final to Actual |
|---|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| TOTAL GENERAL FUND EXPENDITURES   | \$ 91,754,073       | \$ 670,235          | \$ 92,424,308       | \$ 102,325,026      | \$ (9,900,718)              |
| Excess/(deficiency) of revenues over/(under) expenditures   | \$ (2,552,216)      | \$ (670,235)        | \$ (3,222,451)      | \$ (394,800)        | \$ (2,827,651)              |
| Other financing sources/(uses):   |                     |                     |                     |                     |                             |
| Capital projects fund interest earned   |                     |                     |                     | \$ 340              | \$ (340)                    |
| Excess/(deficiency) of revenues and other financing sources<br>over/(under) expenditures and other financing sources/(uses) | \$ (2,552,216)      | \$ (670,235)        | \$ (3,222,451)      | \$ (394,460)        | \$ 2,827,991                |
| Fund balance, July 1  | \$ 9,466,330        |                     | \$ 9,466,330        | \$ 9,466,330        |                             |
| Fund balance, June 30   | <u>\$ 6,914,114</u> | <u>\$ (670,235)</u> | <u>\$ 6,243,879</u> | <u>\$ 9,071,870</u> | <u>\$ 2,827,991</u>         |
| Capital Reserve appropriated per budget   | \$ 1,814,445        |                     |                     |                     |                             |
| Maintenance Reserve appropriated per budget   | 405,732             |                     |                     |                     |                             |
| Emergency Reserve appropriated per budget   | 217,000             |                     |                     |                     |                             |
| Budgeted Fund Balance   | <u>115,039</u>      |                     |                     |                     |                             |
|   | <u>\$ 2,552,216</u> |                     |                     |                     |                             |
| Detail of budget transfers:   |                     |                     |                     |                     |                             |
| Committed for year-end encumbrances   |                     | \$ 232,012          |                     |                     |                             |
| Assigned ARRA/SEMI  |                     | 51,551              |                     |                     |                             |
| Capital Reserve Appropriated  |                     | <u>386,672</u>      |                     |                     |                             |
|   |                     | <u>\$ 670,235</u>   |                     |                     |                             |
| Recapitulation of fund balance:   |                     |                     |                     |                     |                             |
| Committed for year-end encumbrances   |                     |                     |                     | \$ 71,608           |                             |
| Restricted:   |                     |                     |                     |                     |                             |
| Emergency Reserve - Designated for subsequent years expenditures  |                     |                     |                     | 250,000             |                             |
| Capital Reserve   |                     |                     | \$ 2,214,902        |                     |                             |
| Capital Reserve - Designated for subsequent years expenditures  |                     |                     | <u>2,084,945</u>    | 4,312,604           |                             |
| Maintenance Reserve - Unassigned  |                     |                     | 1,000,000           |                     |                             |
| Maintenance Reserve - Designated for subsequent years expenditures  |                     |                     | <u>605,732</u>      | 1,605,732           |                             |
| Unassigned 2%   |                     |                     |                     | <u>2,831,926</u>    |                             |
|   |                     |                     |                     | \$ 9,071,870        |                             |
| Reconciliation to governmental funds statements (GAAP):   |                     |                     |                     |                     |                             |
| Less: Last Two (2) State Aid Payments not recognized on GAAP basis  |                     |                     |                     | <u>1,125,911</u>    |                             |
| Fund balance per governmental funds (GAAP)  |                     |                     |                     | <u>\$ 7,945,959</u> |                             |

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION**

\_\_\_\_\_, 2019

The Board of Education of  
the Township of North Brunswick  
in the County of Middlesex, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of The Township of North Brunswick in the County of Mercer, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$42,348,000 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 September 21, 2016 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on December 13, 2016 and (iii) a resolution duly adopted by the Board of Education on December 19, 2018. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

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

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

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

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

Very truly yours,