

This is a Preliminary Official Statement, complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Board has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Board will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchaser's confirmations that request payment for the Bonds.

New Issue

Ratings: See "RATINGS" herein

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 18, 2019

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

**THE BOARD OF EDUCATION OF THE TOMS RIVER REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF OCEAN, NEW JERSEY
\$147,148,000 SCHOOL BONDS
(Book-Entry-Only) (Callable)**

Dated: Date of Delivery

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

The \$147,148,000 School Bonds (the "Bonds") of The Board of Education of the Toms River Regional School District in the County of Ocean, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on January 15 and July 15 in each year until maturity, or earlier redemption, commencing on July 15, 2020. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS- Redemption" herein.

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about July 16, 2019.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON JUNE 25, 2019. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

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

\$147,148,000 SCHOOL BONDS

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

| <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP*</u> |
|-------------|-----------------------------|--------------------------|--------------|---------------|
| 2020 | \$4,503,000 | % | % | |
| 2021 | 4,600,000 | | | |
| 2022 | 4,700,000 | | | |
| 2023 | 4,800,000 | | | |
| 2024 | 5,000,000 | | | |
| 2025 | 5,500,000 | | | |
| 2026 | 5,950,000 | | | |
| 2027 | 6,300,000 | | | |
| 2028 | 6,795,000 | | | |
| 2029 | 9,000,000 | | | |
| 2030 | 9,000,000 | | | |
| 2031 | 9,000,000 | | | |
| 2032 | 9,000,000 | | | |
| 2033 | 9,000,000 | | | |
| 2034 | 9,000,000 | | | |
| 2035 | 9,000,000 | | | |
| 2036 | 9,000,000 | | | |
| 2037 | 9,000,000 | | | |
| 2038 | 9,000,000 | | | |
| 2039 | 9,000,000 | | | |

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

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

MEMBERS OF THE BOARD

Joseph Nardini - President
Russell K. Corby - Vice President
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Daniel P. Leonard
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Ginny Rhine
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Carluccio, Leone, Dimon, Doyle & Sacks, LLC
Toms River, 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
TOMS RIVER REGIONAL SCHOOL DISTRICT
IN THE COUNTY OF OCEAN, NEW JERSEY**

**\$147,148,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY) (CALLABLE)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Toms River Regional School District in the County of Ocean, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$147,148,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated the date of delivery and shall mature on July 15 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July, commencing on July 15, 2020 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the inside front cover page hereof until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 1 and July 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Redemption

The Bonds maturing prior to July 15, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after July 15, 2027 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after July 15, 2026 at a price of 100% of the Bonds to be redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

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

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

Security for the Bonds

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

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

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

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

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

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

AUTHORIZATION AND PURPOSE

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on December 19, 2018 and approved by a majority of the legal voters present and voting at the School District election held on January 22, 2019 and a resolution duly adopted by the Board on May 15, 2019 (the "Resolution").

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

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

BOOK-ENTRY-ONLY SYSTEM¹

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

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

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

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

¹ Source: The Depository Trust Company

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

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

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

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

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

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

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

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

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

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

Discontinuance of Book-Entry-Only System

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

THE SCHOOL DISTRICT AND THE BOARD

The Board operates eighteen (18) school buildings: twelve (12) elementary schools, three (3) intermediate schools and three (3) high schools. The School District serves the Boroughs of Beachwood, Pine Beach and South Toms River, along with the Township of Toms River (the "Constituent Municipalities").

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

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Spending Growth Limitation

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

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

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

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

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

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

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

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

Issuance of Debt

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

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

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

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

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

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

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

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

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

Exceptions to Debt Limitation

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

Capital Lease Financing

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

Energy Saving Obligations

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

Promissory Notes for Cash Flow Purposes

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

Investment of School Funds

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or fewer, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or fewer issued by New Jersey school districts, municipalities, counties and entities subject to the Local Authorities Fiscal Control Law, N.J.S.A. 40A:5A-1 *et seq.* or approved by the Division of Investment of the State Department of the Treasury; (6) certain local government investment pools, rated in the highest rating category, investing in U.S. government securities or certain New Jersey local government issuers and repurchase agreements fully collateralized by securities set forth in sections (1) and (3) above and meeting other statutory requirements; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); (8) certain fully collateralized repurchase agreements with a maximum maturity of 30 days for securities

described in sections (1) and (3) above or bonds or other obligations issued by certain New Jersey local governments having a maturity of 397 days or fewer, and meeting other statutory requirements; and (9) deposits of funds initially invested through a public depository meeting the requirements of the Government Unit Deposit Protection Act designated by the school district which arranges for the deposit of the funds in one or more federally insured banks, savings banks, savings and loan associations or credit unions for the account of the school district and meeting other statutory requirements. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 *et seq.* or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

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

The Board has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

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

Pursuant to Public Law 2018, c. 67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State (“SFRA Modification Law”). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year. The Board’s funding will be reduced under the SFRA Modification Law unless its enrollment and other factors change. The reduction for the 2019 fiscal year was \$2,357,955. The Board is currently a participant in a multi-Plaintiff law suit against the Commissioner of Education challenging Public Law 2018,c67 modifying the School Funding Reform Act of 2008.

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

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

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

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

subject to a number of exceptions. All bonds and notes issued by the Constituent Municipalities are general full faith and credit obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index

Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year’s tax levy in years when the Index Rate is 2.5% or less.

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

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

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

Tax Assessment and Collection Procedure

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

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

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These

interest penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to April 15 in each year, the Constituent Municipalities must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

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

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

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

FINANCIAL STATEMENTS

The financial statements of the Board for the fiscal year ended June 30, 2018 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Wiss & Company, LLP, Livingston, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B –Financial Statements of the Board of Education of the Toms River Regional School District". Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

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

LITIGATION

To the knowledge of the Board Attorney, Stephan R. Leone, Esq. of Carluccio, Leone, Dimon, Doyle & Sacks, LLC, Toms River, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on

the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX MATTERS

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

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

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

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

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

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

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

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

Additional Federal Income Tax Consequences of Holding the Bonds

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

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

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation

enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Bank Qualification

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

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

State Taxation

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

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

MUNICIPAL BANKRUPTCY

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

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of

any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

RATINGS

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

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

UNDERWRITING

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

MUNICIPAL ADVISOR

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

SECONDARY MARKET DISCLOSURE

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

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

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;

- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material;
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Board, if any such event reflects financial difficulties.

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

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

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

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

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to William J. Doering, Business Administrator, at 1144 Hooper Avenue, Toms River, NJ 08753, (732) 505-5524, or to the Municipal Advisor, Phoenix Advisors, LLC, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

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

By: _____
William J. Doering, Business Administrator

Date: June __, 2019

APPENDIX A

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

INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

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

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

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

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

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

¹ Source: The Board, unless otherwise indicated.

Description of Facilities

The Board presently operates the following school facilities:

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

Source: Comprehensive Annual Financial Report of the School District

Staff

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

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

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

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

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

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

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

Pensions

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

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

Fiscal 2019-20 Budget

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if a school district has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If a school district proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The Board has chosen under the Election Law to move its annual school election to November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board’s General Fund Budget for the 2019-2020 fiscal year is \$228,854,883. The major sources of revenue are \$158,444,292 from the local tax levy and \$64,356,786 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

As noted, prior to the Board’s budget for its 2012-2013 fiscal year, the Board was required to submit its budget for voter approval. A summary of the last five (5) budget years of the Board is presented below:

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

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

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2014 through June 30, 2018 for the general fund. This summary should be used in conjunction with the tables in the sourced documents from which it is derived (see Appendix B). Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$151,916,716 | \$144,911,347 | \$137,569,066 | \$132,197,482 | \$118,518,706 |
| Other Local Revenue | <u>3,022,038</u> | <u>2,589,718</u> | <u>2,479,240</u> | <u>1,954,914</u> | <u>2,327,725</u> |
| Total revenues-local sources | 154,938,754 | 147,501,065 | 140,048,306 | 134,152,396 | 120,846,431 |
| State Sources | 99,327,782 | 95,145,161 | 91,652,294 | 88,367,353 | 85,374,188 |
| Federal Sources | <u>309,882</u> | <u>494,916</u> | <u>7,810,536</u> | <u>9,501,970</u> | <u>12,831,274</u> |
| Total Revenues | \$254,576,418 | \$243,141,142 | \$239,511,136 | \$232,021,719 | \$219,051,893 |
| EXPENDITURES | | | | | |
| General Fund: | | | | | |
| Instruction | \$92,456,004 | \$92,680,377 | \$90,360,693 | \$88,221,777 | \$86,454,283 |
| Undistributed Expenditures | 158,899,997 | 147,360,756 | 145,281,219 | 138,652,711 | 135,405,202 |
| Capital Outlay | <u>4,378,153</u> | <u>3,946,456</u> | <u>4,054,148</u> | <u>3,654,036</u> | <u>3,809,649</u> |
| Total Expenditures | \$255,734,154 | \$243,987,589 | \$239,696,060 | \$230,528,524 | \$225,669,134 |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | (1,157,736) | (846,447) | (184,924) | 1,493,195 | (6,617,241) |
| Other Financing Sources (Uses): | | | | | |
| Proceeds of Capital Lease | 2,845,573 | 2,206,838 | 0 | 1,651,236 | 1,338,895 |
| Proceeds from Community Disaster Loan | 0 | 0 | 0 | 411,148 | 4,588,852 |
| Non-Federal Cost Share Reimbursement Program proceeds funded by Community Development Block Grant | 0 | 25,022 | 0 | 0 | 0 |
| Transfers In | 191,737 | 112,280 | 112,280 | 112,282 | 152,280 |
| Transfers Out | <u>(455,910)</u> | <u>(455,910)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | 2,581,400 | 1,888,230 | 112,280 | 2,174,666 | 6,080,027 |
| Extraordinary Item - Restitution Funds | 7,616 | 365,782 | 899,703 | 589,976 | 2,280,374 |
| Net Change in Fund Balance | 1,431,280 | 1,407,565 | 827,059 | 4,257,837 | 1,743,160 |
| Fund Balance, July 1 | <u>16,993,466</u> | <u>15,585,901</u> | <u>14,758,842</u> | <u>10,501,005</u> | <u>8,757,845</u> |
| Fund Balance, June 30 | <u>\$18,424,746</u> | <u>\$16,993,466</u> | <u>\$15,585,901</u> | <u>\$14,758,842</u> | <u>\$10,501,005</u> |

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis

Capital Leases

As of June 30, 2018, the Board has several capital leases outstanding with payments due through year ending June 30, 2023, totaling \$6,855,568.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

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

Source: Comprehensive Annual Financial Report of the School District

Short-Term Debt

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

Source: Comprehensive Annual Financial Report of the School District

Long-Term Debt

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

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

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

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

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

Source: Comprehensive Annual Financial Report of the School District

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INFORMATION REGARDING THE BOROUGH OF BEACHWOOD¹

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

General Information

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

Form of Government

The Borough was originally governed under the Walsh Act commission form of government, which was maintained until the mid-1970s. The Borough is now governed under the Borough form of State municipal government. The governing body consists of a Mayor and a Borough Council comprising six council members, with all positions elected at-large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council members serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle.

Retirement Systems

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

Pension Information²

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

¹ Source: The Borough, unless otherwise indicated.

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

Employment and Unemployment Comparisons

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

| | <u>Total Labor Force</u> | <u>Employed Labor Force</u> | <u>Total Unemployed</u> | <u>Unemployment Rate</u> |
|-----------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <u>Borough</u> | | | | |
| 2018 | 6,242 | 5,983 | 259 | 4.1% |
| 2017 | 6,259 | 5,981 | 278 | 4.4% |
| 2016 | 6,278 | 5,972 | 306 | 4.9% |
| 2015 | 6,282 | 5,901 | 381 | 6.1% |
| 2014 | 6,262 | 5,835 | 427 | 6.8% |
| <u>County</u> | | | | |
| 2018 | 266,971 | 255,456 | 11,515 | 4.3% |
| 2017 | 268,234 | 255,361 | 12,873 | 4.8% |
| 2016 | 267,872 | 253,889 | 13,983 | 5.2% |
| 2015 | 265,397 | 248,986 | 16,411 | 6.2% |
| 2014 | 264,480 | 244,949 | 19,531 | 7.4% |
| <u>State</u> | | | | |
| 2018 | 4,422,900 | 4,239,600 | 183,400 | 4.1% |
| 2017 | 4,518,838 | 4,309,708 | 209,123 | 4.6% |
| 2016 | 4,530,800 | 4,305,515 | 225,262 | 5.0% |
| 2015 | 4,537,231 | 4,274,685 | 262,531 | 5.8% |
| 2014 | 4,527,177 | 4,221,277 | 305,900 | 6.8% |

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

Income (as of 2017)

| | <u>Borough</u> | <u>County</u> | <u>State</u> |
|-------------------------|-----------------------|----------------------|---------------------|
| Median Household Income | \$72,815 | \$65,771 | \$76,475 |
| Median Family Income | 77,007 | 82,380 | 94,337 |
| Per Capita Income | 29,344 | 33,312 | 39,069 |

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

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

| <u>Year</u> | <u>Borough</u> | | <u>County</u> | | <u>State</u> | |
|---------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> |
| 2017 Estimate | 11,248 | 1.84% | 597,943 | 3.71% | 9,005,644 | 2.43% |
| 2010 | 11,045 | 6.46 | 576,567 | 12.85 | 8,791,894 | 4.49 |
| 2000 | 10,375 | 11.27 | 510,916 | 17.94 | 8,414,350 | 8.85 |
| 1990 | 9,324 | 21.30 | 433,203 | 25.19 | 7,730,188 | 4.96 |
| 1980 | 7,687 | 75.10 | 346,038 | 65.99 | 7,365,001 | 2.75 |

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

Largest Taxpayers

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

| <u>Taxpayers</u> | <u>2018 Assessed Valuation</u> | <u>% of Total Assessed Valuation</u> |
|---------------------------------------|------------------------------------|--|
| CVS Health Corp | \$3,289,900 | 0.41% |
| DCTN3 385 Beachwood NJ LLC | 2,875,200 | 0.36% |
| Clayton, Lewis M. | 2,119,000 | 0.26% |
| Town & Country Bakery | 1,605,500 | 0.20% |
| Lipton, David | 1,572,300 | 0.19% |
| Moorehouse-Speedwell Ltd Ptnship | 1,400,900 | 0.17% |
| Rite Aid Corp. | 1,380,000 | 0.17% |
| Stone Fire Grille LLC | 1,157,000 | 0.14% |
| Federal National Mortgage Association | 1,069,200 | 0.13% |
| Milas, Peter & Maria | <u>1,046,500</u> | <u>0.13%</u> |
| Total | <u>\$17,515,500</u> | <u>2.17%</u> |

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

Largest Employers

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

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

Source: Borough

Comparison of Tax Levies and Collections

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

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

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

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

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

Source: Annual Audit Reports of the Borough

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

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

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

R: Revaluation

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

Valuation of Property

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

R: Revaluation

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

Classification of Ratables

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

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

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

Financial Operations

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

Summary of Current Fund Budget

| <u>Anticipated Revenues</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019*</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund Balance Utilized | \$1,698,000 | \$2,034,000 | \$1,800,000 | \$1,800,000 | \$1,800,000 |
| Miscellaneous Revenues | 2,410,405 | 1,362,372 | 1,335,973 | 1,373,218 | 1,463,036 |
| Receipts from Delinquent Taxes | 485,000 | 445,000 | 445,000 | 380,000 | 400,000 |
| Amount to be Raised by Taxation | <u>6,752,862</u> | <u>6,952,312</u> | <u>7,048,075</u> | <u>7,259,754</u> | <u>7,265,222</u> |
| Total Revenue: | <u>\$11,346,267</u> | <u>\$10,793,684</u> | <u>\$10,629,048</u> | <u>\$10,812,972</u> | <u>\$10,928,259</u> |
| | | | | | |
| <u>Appropriations</u> | | | | | |
| General Appropriations | \$8,060,037 | \$8,277,837 | \$8,419,362 | \$8,538,862 | \$8,568,191 |
| Operations (Excluded from CAPS) | 164,450 | 168,349 | 145,850 | 133,350 | 117,125 |
| Deferred Charges and Statutory Expenditures | 0 | 250,000 | 0 | 0 | 0 |
| Capital Improvement Fund | 150,000 | 100,000 | 50,000 | 50,000 | 50,000 |
| Municipal Debt Service | 1,999,854 | 995,164 | 1,059,527 | 1,193,665 | 1,295,596 |
| Reserve for Uncollected Taxes | <u>971,926</u> | <u>1,002,335</u> | <u>954,309</u> | <u>897,095</u> | <u>897,347</u> |
| Total Appropriations: | <u>\$11,346,267</u> | <u>\$10,793,684</u> | <u>\$10,629,048</u> | <u>\$10,812,972</u> | <u>\$10,928,259</u> |

*: Introduced
Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

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

Source: Annual Audit Reports of the Borough

Water Utility Operating Fund

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

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

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt

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

Regional School District Debt

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

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$26,360,458

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

TOTAL NET DEBT

\$15,194,587

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2018)³

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

Debt Limit

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

Source: Annual Debt Statement of the Borough

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

INFORMATION REGARDING THE BOROUGH OF PINE BEACH¹

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

General Information

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

Form of Government

The Borough is governed under the Borough form of New Jersey municipal government. The governing body consists of a Mayor and a Borough Council comprising six council members, with all positions elected at-large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council consists of six members elected to serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle.

Retirement Systems

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

Pension Information²

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

¹ Source: The Borough, unless otherwise indicated.

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

Employment and Unemployment Comparisons

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

| | <u>Total Labor Force</u> | <u>Employed Labor Force</u> | <u>Total Unemployed</u> | <u>Unemployment Rate</u> |
|-----------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <u>Borough</u> | | | | |
| 2018 | 1,208 | 1,164 | 44 | 3.6% |
| 2017 | 1,214 | 1,164 | 50 | 4.1% |
| 2016 | 1,214 | 1,159 | 55 | 4.5% |
| 2015 | 1,198 | 1,143 | 55 | 4.6% |
| 2014 | 1,219 | 1,134 | 85 | 7.0% |
| <u>County</u> | | | | |
| 2018 | 266,971 | 255,456 | 11,515 | 4.3% |
| 2017 | 268,234 | 255,361 | 12,873 | 4.8% |
| 2016 | 267,872 | 253,889 | 13,983 | 5.2% |
| 2015 | 265,397 | 248,986 | 16,411 | 6.2% |
| 2014 | 264,480 | 244,949 | 19,531 | 7.4% |
| <u>State</u> | | | | |
| 2018 | 4,422,900 | 4,239,600 | 183,400 | 4.1% |
| 2017 | 4,518,838 | 4,309,708 | 209,123 | 4.6% |
| 2016 | 4,530,800 | 4,305,515 | 225,262 | 5.0% |
| 2015 | 4,537,231 | 4,274,685 | 262,531 | 5.8% |
| 2014 | 4,527,177 | 4,221,277 | 305,900 | 6.8% |

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

Income (as of 2017)

| | <u>Borough</u> | <u>County</u> | <u>State</u> |
|-------------------------|-----------------------|----------------------|---------------------|
| Median Household Income | \$95,909 | \$65,771 | \$76,475 |
| Median Family Income | 109,265 | 82,380 | 94,337 |
| Per Capita Income | 42,876 | 33,312 | 39,069 |

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

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

| <u>Year</u> | <u>Borough</u> | | <u>County</u> | | <u>State</u> | |
|---------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> |
| 2017 Estimate | 2,168 | 1.93% | 597,943 | 3.71% | 9,005,644 | 2.43% |
| 2010 | 2,127 | 9.08 | 576,567 | 12.85 | 8,791,894 | 4.49 |
| 2000 | 1,950 | -0.20 | 510,916 | 17.94 | 8,414,350 | 8.85 |
| 1990 | 1,954 | 8.80 | 433,203 | 25.19 | 7,730,188 | 4.96 |
| 1980 | 1,796 | 28.75 | 346,038 | 65.99 | 7,365,001 | 2.75 |

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

Largest Taxpayers

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

| <u>Taxpayers</u> | <u>2018 Assessed Valuation</u> | <u>% of Total Assessed Valuation</u> |
|-------------------------------|------------------------------------|--|
| Dudeck, William Jr & Laura | \$1,121,200 | 0.45% |
| Sobieski, James & Grazia | 991,200 | 0.40% |
| La Pierre, Inc | 893,200 | 0.36% |
| Karpinsky, Larry & Dixie | 891,800 | 0.36% |
| Shirey, Charles & Kristine | 886,800 | 0.36% |
| Finley, Raymond & Deborah | 852,600 | 0.35% |
| Kammerman, Peter | 821,100 | 0.33% |
| Crowell, Gary & Deborah | 819,200 | 0.33% |
| Canale, Jennie Trustee | 809,600 | 0.33% |
| Berkeley Holding Corp Et. al. | <u>764,900</u> | <u>0.31%</u> |
| Total | <u>\$8,851,600</u> | <u>3.59%</u> |

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

Comparison of Tax Levies and Collections

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

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

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

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

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

Source: Annual Audit Reports of the Borough

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

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

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

r: Reassessment

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

Valuation of Property

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

r: Reassessment

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

Classification of Ratables

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

| <u>Year</u> | <u>Vacant Land</u> | <u>Residential</u> | <u>Farm</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Apartments</u> | <u>Total</u> |
|--------------------|---------------------------|---------------------------|--------------------|--------------------------|--------------------------|--------------------------|---------------------|
| 2018 | \$2,589,000 | \$237,118,600 | \$0 | \$7,020,700 | \$0 | \$0 | \$246,728,300 |
| 2017 | 2,597,100 | 237,711,900 | 0 | 7,020,700 | 0 | 0 | 247,329,700 |
| 2016 | 2,987,900 | 236,482,300 | 0 | 7,020,700 | 0 | 0 | 246,490,900 |
| 2015 | 2,696,100 | 235,340,500 | 0 | 7,020,700 | 0 | 0 | 245,057,300 |
| 2014r | 3,526,800 | 233,669,900 | 0 | 7,164,200 | 0 | 0 | 244,360,900 |

r: Reassessment

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

Financial Operations

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

Summary of Current Fund Budget

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

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

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

Source: Annual Audit Reports of the Borough

Water Utility Operating Fund

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

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

Source: Annual Audit Reports of the Borough

Sewer Utility Operating Fund

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

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

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt

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

Regional School District Debt

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

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$7,745,129

Less: Statutory Deductions

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

TOTAL NET DEBT

\$4,985,720

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2018)³

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

Debt Limit

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

Source: Annual Debt Statement of the Borough

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

INFORMATION REGARDING THE BOROUGH OF SOUTH TOMS RIVER¹

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

General Information

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

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

Form of Government

The Borough is governed under the Borough form of New Jersey municipal government. The governing body consists of a Mayor and a Borough Council comprising six council members, with all positions elected at-large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council consists of six members elected to serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle.

Retirement Systems

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

Pension Information²

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

¹ Source: The Borough, unless otherwise indicated.

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

Employment and Unemployment Comparisons

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

| | <u>Total Labor Force</u> | <u>Employed Labor Force</u> | <u>Total Unemployed</u> | <u>Unemployment Rate</u> |
|-----------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <u>Borough</u> | | | | |
| 2018 | 1,693 | 1,592 | 101 | 6.0% |
| 2017 | 1,698 | 1,591 | 107 | 6.3% |
| 2016 | 1,727 | 1,592 | 135 | 7.8% |
| 2015 | 1,704 | 1,559 | 145 | 8.5% |
| 2014 | 1,722 | 1,548 | 174 | 10.1% |
| <u>County</u> | | | | |
| 2018 | 266,971 | 255,456 | 11,515 | 4.3% |
| 2017 | 268,234 | 255,361 | 12,873 | 4.8% |
| 2016 | 267,872 | 253,889 | 13,983 | 5.2% |
| 2015 | 265,397 | 248,986 | 16,411 | 6.2% |
| 2014 | 264,480 | 244,949 | 19,531 | 7.4% |
| <u>State</u> | | | | |
| 2018 | 4,422,900 | 4,239,600 | 183,400 | 4.1% |
| 2017 | 4,518,838 | 4,309,708 | 209,123 | 4.6% |
| 2016 | 4,530,800 | 4,305,515 | 225,262 | 5.0% |
| 2015 | 4,537,231 | 4,274,685 | 262,531 | 5.8% |
| 2014 | 4,527,177 | 4,221,277 | 305,900 | 6.8% |

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

Income (as of 2017)

| | <u>Borough</u> | <u>County</u> | <u>State</u> |
|-------------------------|-----------------------|----------------------|---------------------|
| Median Household Income | \$62,500 | \$65,771 | \$76,475 |
| Median Family Income | 67,344 | 82,380 | 94,337 |
| Per Capita Income | 18,859 | 33,312 | 39,069 |

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

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

| <u>Year</u> | <u>Borough</u> | | <u>County</u> | | <u>State</u> | |
|---------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> |
| 2017 Estimate | 3,772 | 2.39% | 597,943 | 3.71% | 9,005,644 | 2.43% |
| 2010 | 3,684 | 1.38 | 576,567 | 12.85 | 8,791,894 | 4.49 |
| 2000 | 3,634 | -6.07 | 510,916 | 17.94 | 8,414,350 | 8.85 |
| 1990 | 3,869 | -2.15 | 433,203 | 25.19 | 7,730,188 | 4.96 |
| 1980 | 3,954 | -0.68 | 346,038 | 65.99 | 7,365,001 | 2.75 |

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

Largest Taxpayers

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

| <u>Taxpayers</u> | <u>2018</u> | <u>% of Total</u> |
|--------------------------------------|----------------------------|---------------------------|
| | <u>Assessed Valuation</u> | <u>Assessed Valuation</u> |
| Lighthouse Point Marina & Yacht Club | \$3,717,700 | 1.67% |
| 1 River Place, LLC | 3,411,500 | 1.53% |
| 530 LLC | 2,322,200 | 1.04% |
| Moros, Zack Sr. & Roula | 1,760,100 | 0.79% |
| Lorlin Realty Inc. | 1,636,300 | 0.74% |
| Legend Realty Associates, Inc | 1,355,500 | 0.61% |
| Tradewinds Marina | 993,800 | 0.45% |
| RBC-NJ Properties LLC | 901,300 | 0.40% |
| Boynton, Susan | 897,700 | 0.40% |
| Storage Mall Toms River, LLC | <u>870,000</u> | <u>0.39%</u> |
| Total | <u>\$17,866,100</u> | <u>8.03%</u> |

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

Comparison of Tax Levies and Collections

| <u>Year</u> | <u>Tax Levy</u> | <u>Current Year</u> <u>Collection</u> | <u>Current Year</u> <u>% of Collection</u> |
|-------------|-----------------|--|---|
| 2018U | \$6,542,779 | \$6,345,281 | 96.98% |
| 2017 | 6,338,509 | 6,135,359 | 96.79% |
| 2016 | 6,185,377 | 6,010,081 | 97.17% |
| 2015 | 5,943,841 | 5,674,371 | 95.47% |
| 2014 | 5,766,765 | 5,413,165 | 93.87% |

U: Unaudited

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

Delinquent Taxes and Tax Title Liens

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

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

Property Acquired by Tax Lien Liquidation

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2018U | \$603,100 |
| 2017 | 603,100 |
| 2016 | 603,100 |
| 2015 | 603,100 |
| 2014 | 603,100 |

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

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

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

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

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

Valuation of Property

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

R: Revaluation

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

Classification of Ratables

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

| <u>Year</u> | <u>Vacant Land</u> | <u>Residential</u> | <u>Farm</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Apartments</u> | <u>Total</u> |
|--------------------|---------------------------|---------------------------|--------------------|--------------------------|--------------------------|--------------------------|---------------------|
| 2018 | \$3,289,400 | \$185,021,200 | \$0 | \$33,748,400 | \$274,600 | \$0 | \$222,333,600 |
| 2017 | 3,745,800 | 185,414,100 | 0 | 31,198,700 | 274,600 | 0 | 220,633,200 |
| 2016R | 3,852,100 | 183,743,500 | 0 | 32,381,500 | 274,600 | 0 | 220,251,700 |
| 2015 | 5,054,300 | 228,415,100 | 0 | 37,542,700 | 365,200 | 0 | 271,377,300 |
| 2014 | 5,167,900 | 230,677,800 | 0 | 37,786,900 | 365,200 | 0 | 273,997,800 |

R: Revaluation

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

Financial Operations

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

Summary of Current Fund Budget

| <u>Anticipated Revenues</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fund Balance Utilized | \$425,000 | \$460,000 | \$601,000 | \$625,000 | \$633,000 |
| Miscellaneous Revenues | 543,619 | 643,213 | 603,600 | 686,008 | 899,958 |
| Receipts from Delinquent Taxes | 285,571 | 208,042 | 158,768 | 185,598 | 191,167 |
| Amount to be Raised by Taxation | <u>2,957,371</u> | <u>3,152,537</u> | <u>3,280,390</u> | <u>3,403,047</u> | <u>3,495,170</u> |
| Total Revenue: | <u>\$4,211,560</u> | <u>\$4,463,792</u> | <u>\$4,643,758</u> | <u>\$4,899,653</u> | <u>\$5,219,295</u> |
| | | | | | |
| <u>Appropriations</u> | | | | | |
| General Appropriations | \$3,239,147 | \$3,278,544 | \$3,462,607 | \$3,487,090 | \$3,531,319 |
| Operations (Excluded from CAPS) | 188,468 | 225,428 | 175,051 | 242,177 | 233,799 |
| Deferred Charges and Statutory Expenditures | 0 | 15,000 | 226,890 | 15,873 | 15,000 |
| Judgments | 0 | 0 | 0 | 0 | 0 |
| Capital Improvement Fund | 40,000 | 142,500 | 25,000 | 15,000 | 15,000 |
| Municipal Debt Service | 272,380 | 307,726 | 246,488 | 619,092 | 895,084 |
| Reserve for Uncollected Taxes | <u>471,566</u> | <u>494,594</u> | <u>507,722</u> | <u>520,422</u> | <u>529,093</u> |
| Total Appropriations: | <u>\$4,211,560</u> | <u>\$4,463,792</u> | <u>\$4,643,758</u> | <u>\$4,899,653</u> | <u>\$5,219,295</u> |

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

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

U: Unaudited

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

Borough Indebtedness as of December 31, 2018

General Purpose Debt

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

Regional School District Debt

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

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$5,566,908

Less: Statutory Deductions

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

TOTAL NET DEBT

\$4,495,216

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2018)³

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

Debt Limit

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

Source: Annual Debt Statement of the Borough

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

INFORMATION REGARDING THE TOWNSHIP OF TOMS RIVER¹

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

General Information

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

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

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

Form of Government

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

Retirement Systems

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

Pension Information²

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

¹ Source: The Township, unless otherwise indicated.

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

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

Employment and Unemployment Comparisons

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

| | <u>Total Labor Force</u> | <u>Employed Labor Force</u> | <u>Total Unemployed</u> | <u>Unemployment Rate</u> |
|------------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <u>Township</u> | | | | |
| 2018 | 48,246 | 46,293 | 1,953 | 4.0% |
| 2017 | 48,413 | 46,276 | 2,137 | 4.4% |
| 2016 | 48,189 | 45,830 | 2,359 | 4.9% |
| 2015 | 47,515 | 44,715 | 2,800 | 5.9% |
| 2014 | 47,528 | 44,270 | 3,258 | 6.9% |
| <u>County</u> | | | | |
| 2018 | 266,971 | 255,456 | 11,515 | 4.3% |
| 2017 | 268,234 | 255,361 | 12,873 | 4.8% |
| 2016 | 267,872 | 253,889 | 13,983 | 5.2% |
| 2015 | 265,397 | 248,986 | 16,411 | 6.2% |
| 2014 | 264,480 | 244,949 | 19,531 | 7.4% |
| <u>State</u> | | | | |
| 2018 | 4,422,900 | 4,239,600 | 183,400 | 4.1% |
| 2017 | 4,518,838 | 4,309,708 | 209,123 | 4.6% |
| 2016 | 4,530,800 | 4,305,515 | 225,262 | 5.0% |
| 2015 | 4,537,231 | 4,274,685 | 262,531 | 5.8% |
| 2014 | 4,527,177 | 4,221,277 | 305,900 | 6.8% |

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

Income (as of 2017)

| | <u>Township</u> | <u>County</u> | <u>State</u> |
|-------------------------|------------------------|----------------------|---------------------|
| Median Household Income | \$76,051 | \$65,771 | \$76,475 |
| Median Family Income | 92,604 | 82,380 | 94,337 |
| Per Capita Income | 37,883 | 33,312 | 39,069 |

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

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

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

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

Largest Taxpayers

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

| <u>Taxpayers</u> | <u>2018</u> | <u>% of Total</u> |
|-------------------------------------|-----------------------------|---------------------------|
| | <u>Assessed Valuation</u> | <u>Assessed Valuation</u> |
| CPI @ Simon Property Group LP | \$135,000,000 | 1.04% |
| Fairways at Bey Lea LLC | 55,000,000 | 0.43% |
| BASF Corporation | 42,000,000 | 0.32% |
| SDD Inc. @ D. Donofrio | 39,000,000 | 0.30% |
| J&I Realty Assoc. LLC @ AAC Mgt. | 31,654,300 | 0.24% |
| Seacourt Pavilion LLC | 30,000,000 | 0.23% |
| East Coast Holiday on the Bay LLC | 26,640,000 | 0.21% |
| S/K Bey Lea Associates I LLC | 19,750,000 | 0.15% |
| I256 IHR Associates, LLC | 18,733,100 | 0.14% |
| Dover Parkade LLC @ Paramount Rlty. | <u>17,500,000</u> | <u>0.14%</u> |
| Total | <u>\$415,277,400</u> | <u>3.21%</u> |

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

Comparison of Tax Levies and Collections

| <u>Year</u> | <u>Tax Levy</u> | <u>Current Year Collection</u> | <u>Current Year % of Collection</u> |
|-------------|-----------------|--------------------------------|-------------------------------------|
| 2018U | \$306,166,073 | \$299,604,169 | 97.86% |
| 2017 | 302,723,661 | 296,410,794 | 98.04% |
| 2016 | 291,569,688 | 285,868,773 | 97.88% |
| 2015 | 277,610,168 | 271,732,211 | 97.82% |
| 2014 | 261,260,304 | 255,561,780 | 97.66% |

U: Unaudited

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

Delinquent Taxes and Tax Title Liens

| <u>Year</u> | <u>Amount of Tax Title Liens</u> | <u>Amount of Delinquent Tax</u> | <u>Total Delinquent</u> | <u>% of Tax Levy</u> |
|-------------|----------------------------------|---------------------------------|-------------------------|----------------------|
| 2018U | \$353,623 | \$5,148,181 | \$5,501,804 | 1.80% |
| 2017 | 297,296 | 5,236,520 | 5,533,816 | 1.83% |
| 2016 | 244,129 | 5,176,201 | 5,420,329 | 1.86% |
| 2015 | 181,191 | 5,267,851 | 5,449,042 | 1.96% |
| 2014 | 150,791 | 5,259,930 | 5,410,720 | 2.07% |

U: Unaudited
Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

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

U: Unaudited
Source: Annual Audit Reports of the Township

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

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

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

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

Valuation of Property

| <u>Year</u> | <u>Aggregate Assessed Valuation of Real Property</u> | <u>Aggregate True Value of Real Property</u> | <u>Ratio of Assessed to True Value</u> | <u>Assessed Value of Personal Property</u> | <u>Equalized Valuation</u> |
|-------------|--|--|--|--|--------------------------------|
| 2018 | \$12,900,040,060 | \$15,814,686,846 | 81.57% | \$24,247,300 | \$15,838,934,146 |
| 2017 | 12,840,926,260 | 15,393,102,685 | 83.42 | 25,443,566 | 15,418,546,251 |
| 2016 | 12,672,646,060 | 15,140,556,822 | 83.70 | 26,971,616 | 15,167,528,438 |
| 2015r | 12,524,602,960 | 14,432,591,565 | 86.78 | 27,838,781 | 14,460,430,346 |
| 2014 | 12,429,069,960 | 14,056,853,608 | 88.42 | 31,248,058 | 14,088,101,666 |

r: Reassessment

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

Classification of Ratables

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

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

r: Reassessment

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

Financial Operations

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

Summary of Current Fund Budget

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

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

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

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

Golf Utility Operating Fund

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

Fund Balance - Golf Utility Operating Fund

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

U: Unaudited

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

Ice Rink Utility Operating Fund

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

Fund Balance - Ice Rink Utility Operating Fund

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

U: Unaudited

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

Township Indebtedness as of December 31, 2018

General Purpose Debt

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

Regional School District Debt

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

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$211,588,582

Less: Statutory Deductions

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

TOTAL NET DEBT

\$151,527,767

Source: Audited Financials of the Township

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Overlapping Debt (as of December 31, 2018)³

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

Debt Limit

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

Source: Audited Financials of the Township

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

APPENDIX B

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Toms River Regional School District, County of Ocean, New Jersey (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principle

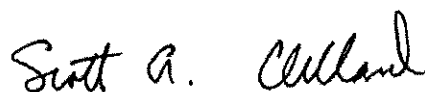
As discussed in Note 1.R. to the basic financial statements, during the fiscal year ended June 30, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which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

Other Matters

Required Supplementary Information

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

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

Livingston, New Jersey
February 15, 2019

Toms River Regional School District
Toms River, New Jersey

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

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

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

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

Using this Comprehensive Annual Financial Report (CAFR)

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

Reporting the School District as a Whole

Government-wide Statements

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

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

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

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

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

Reporting the District's Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Basic Financial Statements

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

The School District as a Whole

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

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

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

Toms River Regional School District Net Position June 30,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governmental Activities

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

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

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

Business-Type Activities

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

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

Financial Analysis of the District's Funds

Governmental Funds

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

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

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

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The schedule below presents a summary of the revenues of the General Fund, Special Revenue Fund and Debt Service Fund for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

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

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

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

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

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

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

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

General Fund Budgeting Highlights

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

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

Revenues

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

Capital Assets

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

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

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

Debt Administration and Long-Term Liabilities

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

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

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

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

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

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

For the Future

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

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

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

Contacting the District's Financial Management

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

Toms River Regional School District

Statement of Net Position

June 30, 2018

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

Toms River Regional School District

Statement of Activities

Year ended June 30, 2018

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

Toms River Regional School District
Governmental Funds

Balance Sheet

June 30, 2018

| | Major Funds | | | | Total Governmental Funds |
|--|----------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 4,414,214 | | \$ 58,932 | \$ 84,167 | \$ 4,557,313 |
| Investments | 100,216 | | | | 100,216 |
| Accounts receivable: | | | | | |
| State | 1,583,263 | \$ 7,919 | | | 1,591,182 |
| Federal | | 1,198,170 | | | 1,198,170 |
| Other | 514,447 | 3,776 | | | 518,223 |
| Other assets | 509,391 | | | | 509,391 |
| Interfund receivable | 124,180 | | | | 124,180 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 13,112,783 | | | | 13,112,783 |
| Cash held with fiscal agent | 2,283,408 | | 17,224,814 | | 19,508,222 |
| Total assets | <u>\$ 22,641,902</u> | <u>\$ 1,209,865</u> | <u>\$ 17,283,746</u> | <u>\$ 84,167</u> | <u>\$ 41,219,680</u> |
| Liabilities and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenditures | \$ 1,933,748 | \$ 522,691 | | | \$ 2,456,439 |
| Intergovernmental accounts payable: | | | | | |
| State | | 161,160 | | | 161,160 |
| Federal | | 8,243 | \$ 79,457 | | 87,700 |
| Interfund payable | | 8,693 | | | 8,693 |
| Other liabilities | 2,283,408 | 657 | 350,975 | | 2,635,040 |
| Unearned revenue | | 508,421 | | | 508,421 |
| Total liabilities | <u>4,217,156</u> | <u>1,209,865</u> | <u>430,432</u> | | <u>5,857,453</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Excess Surplus - current year | 590,534 | | | | 590,534 |
| Excess Surplus - prior year designated for subsequent years expenditures | 1,573,524 | | | | 1,573,524 |
| Capital reserve | 5,206,098 | | | | 5,206,098 |
| Maintenance reserve | 7,196,820 | | | | 7,196,820 |
| Emergency reserve | 709,865 | | | | 709,865 |
| Capital projects | | | 16,853,314 | | 16,853,314 |
| Debt service | | | | \$ 84,167 | 84,167 |
| Assigned to: | | | | | |
| Additional assigned fund balance designated for subsequent year's expenditures | 1,157,955 | | | | 1,157,955 |
| Designated for subsequent year's expenditures | 226,476 | | | | 226,476 |
| Other purposes | 1,763,474 | | | | 1,763,474 |
| Total fund balances | <u>18,424,746</u> | <u>-</u> | <u>16,853,314</u> | <u>84,167</u> | <u>35,362,227</u> |
| Total liabilities and fund balances | <u>\$ 22,641,902</u> | <u>\$ 1,209,865</u> | <u>\$ 17,283,746</u> | <u>\$ 84,167</u> | |

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

| | |
|---|-----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$377,308,672 and the accumulated depreciation is \$225,191,504. | 152,117,168 |
| Accrued interest payable on debt is not due and payable in the current period and therefore is not reported as a liability in the funds. | (1,312,729) |
| Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds. | 2,515,899 |
| Accrued liability for insurance claims not due and payable in the current period and therefore is not reported as a liability in the funds. | (15,240,942) |
| Deferred pension costs in governmental activities are not financial resources (uses) and therefore are not reported in the funds. | 3,514,061 |
| Accrued pension contributions for the June 30, 2017 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position. | (3,719,306) |
| Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. | (90,355,186) |
| Other liabilities included in the governmental funds represent leases that were entered into prior to June 30, 2018 and are included as liabilities in the long-term liability note below. | 2,283,408 |
| Other post employment benefits payable liabilities are not due in the current period and therefore reported as long-term liabilities in the funds. | (3,231,183) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | (84,637,150) |
| Net position of governmental activities (A-1) | <u>\$ (2,703,733)</u> |

Toms River Regional School District
Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 2018

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

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

Toms River Regional School District
Governmental Funds

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

Year ended June 30, 2018

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

Toms River Regional School District
Proprietary Funds

Statement of Net Position

June 30, 2018

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

Toms River Regional School District
Proprietary Funds

Statement of Revenues, Expenses and
Changes in Fund Net Position

Year ended June 30, 2018

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

Toms River Regional School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2018

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

Toms River Regional School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2018

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

Toms River Regional School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2018

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

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

The District has reported the following major governmental funds:

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

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

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

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

The District reports the following major proprietary funds:

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Additionally, the District reports the following fiduciary fund types:

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

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

Agency Funds (Payroll and Student Activity Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

D. Budgets/Budgetary Control

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

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

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

E. Cash, Cash Equivalents and Investments

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

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

1. Summary of Significant Accounting Policies (continued)

F. Inventories

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

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

H. Compensated Absences (continued)

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

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

I. Unearned Revenue

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

J. Deferred Outflows / Inflows of Resources

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

K. Deferred Loss on Defeasance of Debt

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

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

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

M. Fund Balances

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

M. Fund Balances (continued)

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

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

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

N. Net Position

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

O. Management Estimates

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

P. On-Behalf Payments

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

Q. Calculation of Excess Surplus

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

R. GASB Pronouncements

GASBs Pronouncements Implemented in the 2018 Fiscal Year

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

R. GASB Pronouncements (continued)

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

Recently Issued and Adopted Accounting Principles

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

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

S. Subsequent Events

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

2. Reconciliation of Government-Wide and Fund Financial Statements

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

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

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

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

3. Deposits and Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and Statement No. 72, *Fair Value Measurement and Application*. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value. New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

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

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

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

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

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

Deposits

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

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

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

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

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

Deposits (continued)

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

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

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

Investments

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

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank, which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

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

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

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

New Jersey Cash Management Fund

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

New Jersey Cash Management Fund (continued)

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

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

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

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

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

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

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

4. Capital Assets

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

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

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

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

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

4. Capital Assets (continued)

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

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

5. Long-Term Liabilities

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

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

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

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

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

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

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

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

Bonds Payable

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

Bonds Payable (continued)

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

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

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

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

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

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

Notes Payable-CREBS

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

Deferred Pension Obligation

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

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

Capital Leases Payable

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

Operating Leases

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

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

6. Pension Plans

Description of Systems

Substantially all of the District's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

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

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

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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

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

Public Employee's Retirement System

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

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

Funding Policy

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

During the year ended June 30, 2018, the State of New Jersey contributed \$22,493,020 to the TPAF for on-behalf medical benefits, long-term disability insurance and pension contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$6,765,533 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

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

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

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

Public Employee's Retirement System (PERS)

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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

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

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

Actuarial Assumptions

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

Long-Term Rate of Return

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------------|-------------------|--|
| Absolute return/risk mitigation | 5.00% | 5.51% |
| Cash equivalents | 5.50% | 1.00% |
| U.S. Treasuries | 3.00% | 1.87% |
| Investment grade credit | 10.00% | 3.78% |
| Public high yield | 2.50% | 6.82% |
| Global diversified credit | 5.00% | 7.10% |
| Credit oriented hedge funds | 1.00% | 6.60% |
| Debt related private equity | 2.00% | 10.63% |
| Debt related real estate | 1.00% | 6.61% |
| Private real asset | 2.50% | 11.83% |
| Equity related real estate | 6.25% | 9.23% |
| U.S. Equity | 30.00% | 8.19% |
| Non-U.S. developed markets equity | 11.50% | 9.00% |
| Emerging markets equity | 6.50% | 11.64% |
| Buyouts / venture capital | 8.25% | 13.08% |
| | <u>100.00%</u> | |

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017 and 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan member through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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

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

Pension Plan Fiduciary Net Position

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

Additional Information

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

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

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

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

Teachers Pensions and Annuity Fund (TPAF) – Special Funding Situation

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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

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

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

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------|-------------------------------|
| Inflation rate | 2.25% |
| Salary increases: 2012-2021 | Varies based on experience |
| Thereafter | Varies based on experience |
| Investment rate of return | 7.00% |

Mortality Rates

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Divisions of Pensions and Benefits, the board of trustees and the actuaries. The long-term

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------------|--------------------------|---|
| Absolute return/risk mitigation | 5.00% | 5.51% |
| Cash equivalents | 5.50% | 1.00% |
| U.S. Treasuries | 3.00% | 1.87% |
| Investment grade credit | 10.00% | 3.78% |
| Public high yield | 2.50% | 6.82% |
| Global diversified credit | 5.00% | 7.10% |
| Credit oriented hedge funds | 1.00% | 6.60% |
| Debt related private equity | 2.00% | 10.63% |
| Debt related real estate | 1.00% | 6.61% |
| Private real asset | 2.50% | 11.83% |
| Equity related real estate | 6.25% | 9.23% |
| U.S. Equity | 30.00% | 8.19% |
| Non-U.S. developed markets equity | 11.50% | 9.00% |
| Emerging markets equity | 6.50% | 11.64% |
| Buyouts/venture capital | 8.25% | 13.08% |
| | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017 and 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan member through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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

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

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

Pension plan fiduciary net position

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

Additional Information

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits

State Plan

Plan description and benefits provided

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

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

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 (GASB 75) and the State is treated as a non-employer contributing entity.

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

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

Total OPEB Liability

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

Changes in the District's Total OPEB Liability

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

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

Employees covered by benefit terms

The following employees were covered by the benefit terms:

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

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the District as of

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

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

Actuarial assumptions and other inputs

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

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

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

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality Rates

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality table for males or females, as appropriate, with adjustments for mortality improvements based on MP- 2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

State Plan (continued)

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

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

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

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

Special Funding Situation

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

Toms River Regional Schools Post-Retirement Health Plan

Plan Description

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

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

Employees covered by benefit terms

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

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

Total OPEB Liability

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

Actuarial assumptions and other inputs

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

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

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

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

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

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

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

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

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

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

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

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

8. Interfund Receivables and Payables

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

8. Interfund Receivables and Payables (continued)

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

All interfunds are expected to be repaid within one year.

9. Transfers – Reconciliation

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

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

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

10. Economic Dependency

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

11. Risk Management

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

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

Health Insurance-Self Insured

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

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

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

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

11. Risk Management (continued)

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

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

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

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

New Jersey Unemployment Compensation Insurance

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

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

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

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

12. Deferred Compensation

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

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

13. Restricted Assets

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

14. Capital Reserve Account

A capital reserve account was established by the District's Board of Education by inclusion in September of 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line items of appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

14. Capital Reserve Account (continued)

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

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

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

15. Maintenance Reserve Account

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

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

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

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

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

Toms River Regional School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

16. Emergency Reserve Account

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

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

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

17. Contingent Liabilities

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

The District is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Board. However, certain cases have a high probability of an unfavorable outcome. Therefore, an accrual of \$1,343,198 has been recorded in the governmental funds to address any litigation matters that pertain to fiscal year ended June 30, 2018.

18. Commitments

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

18. Commitments (continued)

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

19. Deferred Pension Obligation

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

20. Extraordinary Item

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

21. Tax Abatements

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

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

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

Toms River Regional School District
Notes to the Basic Financial Statements

Year ended June 30, 2018

21. Tax Abatements (continued)

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

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

22. Subsequent Events

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

23. Change in Accounting Principle

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

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

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

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

N/A - Information not available

See Note to Required Supplementary Information

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

Last Ten Fiscal Years

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

See Note to Required Supplementary Information

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

Last Ten Fiscal Years*

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

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

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

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

See Note to Required Supplementary Information

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

Last Ten Fiscal Years*

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

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

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

** information not available.

See Note to Required Supplementary Information

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

Last Ten Fiscal Years*

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

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

See Note to Required Supplementary Information

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

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

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

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

See Note to Required Supplementary Information

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

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

TEACHERS PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

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

OTHER POST EMPLOYMENT BENEFITS

A. State of New Jersey Post-Employment Retirement Plan

Benefit Changes

There were none.

Changes of Assumptions

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

B. Toms River School District Post-Employment Retirement Plan

Benefit Changes

There were none.

Changes of Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Toms River Regional School District
Special Revenue Fund

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

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

Toms River Regional School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2018

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

APPENDIX C

FORM OF APPROVING LEGAL OPINION

_____, 2019

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

Dear Board Members:

We have acted as bond counsel to The Board of Education of The Toms River Regional School District in the County of Ocean, New Jersey (the “Board of Education”) in connection with the issuance by the Board of Education of \$147,148,000 School Bonds dated the date hereof (the “Bonds”). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on December 19, 2018 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on January 22, 2019, and (iii) a resolution duly adopted by the Board of Education on May 15, 2019. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 *et seq.* (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

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

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

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

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

Very truly yours,