PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 2, 2019

New Issue

Rating: Moody's: "Aaa"
See "RATING" herein

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; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under "TAX MATTERS" herein. 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 PRINCETON IN THE COUNTY OF MERCER, NEW JERSEY $26,928,000 SCHOOL BONDS (Book-Entry-Only) (Callable)

Dated: Date of Delivery

Due: July 15, as shown below

The $26,928,000 School Bonds (the "Bonds") of The Board of Education of Princeton in the County of Mercer, 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, 2019. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding 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.

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

Maturity (July 15)	Principal Amount	Interest Rate	Yield	CUSIP*	Maturity (July 15)	Principal Amount	Interest Rate	Yield	CUSIP*
2020	$803,000	%	%		2030	$1,600,000	%	%	
2021	800,000				2031	1,600,000			
2022	800,000				2032	1,600,000			
2023	1,300,000				2033	1,600,000			
2024	1,350,000				2034	1,600,000			
2025	1,395,000				2035	1,600,000			
2026	1,445,000				2036	1,600,000			
2027	1,495,000				2037	1,600,000			
2028	1,545,000				2038	1,600,000			
2029	1,595,000								

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about January 23, 2019.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON JANUARY 9, 2019. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW. MUNIHUB.COM.

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

THE BOARD OF EDUCATION OF PRINCETON
IN THE COUNTY OF MERCER, NEW JERSEY

MEMBERS OF THE BOARD

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Stephanie Kennedy

AUDITOR

Wiss & Company, LLP
Livingston, New Jersey

BOARD ATTORNEY

Frank P. Cavallo, Jr., Esquire
Parker McCay P.A.
Mount Laurel, 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.

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

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

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF PRINCETON
IN THE COUNTY OF MERCER, NEW JERSEY

$26,928,000
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 Princeton in the County of Mercer, 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 $26,928,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated the date of delivery and shall mature on July 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July, commencing on July 15, 2019 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 1 and July 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. 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 or any integral multiple thereof, 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 (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 funded in an amount 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 School Bond Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

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

AUTHORIZATION AND PURPOSE

The School District is issuing the Bonds pursuant to: (i) Chapter 24 of Title 18A of the New Jersey (the "State") Statutes, as amended and supplemented (the "School Bond Act"); (ii) a resolution duly adopted by the Board on December 18, 2018 (the "Resolution"); and (iii) a proposal adopted by the Board on October 9, 2018 and approved by a majority of the legal voters present and voting at the School District election held on December 11, 2018.

The Bonds are being issued to provide funds for the construction of an addition, alterations, renovations, improvements and athletic improvements at Community Park Elementary School, Johnson Park Elementary School, Littlebrook Elementary School, Riverside Elementary School and John

Witherspoon Middle School and Princeton High School, including acquisition and installation of furnishings, fixtures, equipment and site work (collectively, the "Project"). The Board is authorized to expend an amount not to exceed $26,928,351 for the Project (of which, $21,678,410 represents eligible costs (the "Final Eligible Costs"), as determined by the Commissioner of Education), for which the State has agreed to pay approximately 40.0% of the debt service on the portion of the Bonds (including both principal and interest) issued to finance the Final Eligible Costs of the Project. The remaining payments of the Bonds issued to finance the portion of the Project not eligible for State support will not receive debt service aid.

BOOK-ENTRY-ONLY SYSTEM[1]

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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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

[1] Source: The Depository Trust Company

transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

Discontinuance of Book-Entry-Only System

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

THE SCHOOL DISTRICT AND THE BOARD

The School District is a Type II school district and provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade twelve (12). The School District is coterminous with the boundaries of Princeton ("Princeton"), in Mercer County (the "County"). Students from the Township of Cranbury ("Cranbury") attend the School District for grades nine (9) through twelve (12) as part of a sending/receiving relationship.

The Board is a nine (9) member board with members elected for staggered three (3) year terms. Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary. Cranbury is granted a seat on the Board pursuant to N.J.S.A. 18A:38-8.1 et seq. The appointed Cranbury representative has all of the voting rights as prescribed in the statute cited.

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 daily supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63 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 all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of

education and 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 without a board of school estimate.

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 <u>et</u> <u>seq</u>.)

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 described below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing body of the constituent municipalities must develop the school budget by May 19 of each year. Should the governing body be unable to do so, the Commissioner establishes the local school budget.

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

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

The Board conducts its annual elections in November.

Spending Growth Limitation

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (as amended and partially repealed) first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary 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 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 of education (and approved by a board of school estimate in a Type I school district); and (v) there must be filed with the State by each municipality comprising a school district a supplemental debt statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

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

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

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

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third 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.

Refunding Bonds

Notwithstanding limitations regarding the issuance of debt, including debt limits and voter referendums, school districts may authorize and issue refunding bonds for the purpose of paying any refunded bonds, together with the costs of issuing the refunding bonds.

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

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

Exceptions to Debt Limitation

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

Capital Lease Financing

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

Energy Saving Obligations

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

Promissory Notes for Cash Flow Purposes

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

Investment of School Funds

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or fewer approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

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

The Board has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included QEA, 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), attempts to remove the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a "constitutionally adequate scheme". However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for 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 and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

Notwithstanding over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid, supplemental core curriculum standards aid, distance learning network aid, bilingual aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

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

The State reduced debt service aid by fifteen percent (15%) for fiscal years 2011 through 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.

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.

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 five percent (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 Princeton are general full faith and credit obligations.

The authorized bonded indebtedness of a municipality for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT – Debt Limitation (N.J.S.A. 18A:24-19) and Exception to Debt Limitation."

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.

A municipality may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency (the "Local Finance Board), and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the municipality may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by a municipality 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).

A municipality 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 State local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, 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 three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three (3) 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 (5) 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 (2) 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 two and one-half percent (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 three and one-half percent (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 three and one-half percent (3.5%) over the prior year's tax levy in years when the Index Rate is two and one-half percent (2.5%) or less.

Additionally, legislation constituting P.L. 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit included increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost State aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over four percent (4%). The Local Finance Board was able to approve waivers for certain extraordinary costs identified by the statute, and voters could approve increases above four percent (4%) not otherwise permitted by a vote of 60% of the voters voting on a public question.

This legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to two percent (2%) with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of two percent (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. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

Neither the tax levy limitation nor the "Cap Law" limits, including the provisions of the recent legislation, would limit the obligation of a municipality to levy *ad valorem* taxes upon all taxable real property within a municipality 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 result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

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

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

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first $1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of $1,500.00. These interest penalties are the highest permitted under State statutes. If a delinquency is in excess of $10,000.00 and remains in arrears after December 31st, an additional penalty of six percent (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 State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

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

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

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

FINANCIAL STATEMENTS

The audited financial statements of the Board for the year ended June 30, 2017 are presented in Appendix B to this Official Statement (the "Audited Financial Statements"). The Audited Financial Statements have been audited by Wiss & Company, LLP, Livingston, New Jersey, an independent auditor (the "Auditor"). Also included in Appendix B is certain unaudited financial information of the Board as of and for the year ended June 30, 2018 (collectively, with the Audited Financial Statements, the "Financial Statements"). See "APPENDIX B - Financial Statements of The Board of Education of Princeton in the County of Mercer, New Jersey".

LITIGATION

To the knowledge of the Board Attorney, Frank P. Cavallo, Jr., Esquire, Parker McCay P.A., Mount Laurel, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) 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. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

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/Board Secretary.

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

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

RATING

Moody’s Investors Service, Inc. (the “Rating Agency”) has assigned an underlying rating of “Aaa” to the Bonds based upon the underlying credit of the School District. The Bonds are additionally secured by the Act.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The School District furnished to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the rating will be maintained for any given period of time or that they 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 rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the Board at a public sale by ___________ (the “Underwriter”) at a price of $_________.

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

MUNICIPAL ADVISOR

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

SECONDARY MARKET DISCLOSURE

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

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

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

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to the rights of holders of the Bonds, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Board;
(13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such

an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board 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 Board, 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 Board.

(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.

In the event that the Board fails to comply with the above-described undertaking and covenants, the Board shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Board from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

There can be no assurance that there will be a secondary market for the sale or purchase of the Bonds. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the Board may affect the future liquidity of the Bonds.

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 provisions of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Business Administrator/Board Secretary shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Board prior to their offering. Such officer is 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.

The Board has previously entered into continuing disclosure undertakings under the Rule. The Board appointed Phoenix Advisors, LLC, Bordentown, New Jersey in May of 2015 to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Stephanie Kennedy, Business Administrator/Board Secretary, at 25 Valley Road, Princeton, NJ 08540, (609) 806-4204, or to the Municipal Advisor 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 they have 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 their 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 light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

MISCELLANEOUS

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

THE BOARD OF EDUCATION OF PRINCETON IN THE COUNTY OF MERCER, NEW JERSEY

By: ______________________________

Stephanie Kennedy,
Business Administrator/Board Secretary

Date: January __, 2019

APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL DISTRICT AND PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY

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INFORMATION REGARDING THE SCHOOL DISTRICT

Type

The Board of Education of Princeton (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) is a Type II school district and provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade twelve (12). The School District is coterminous with the boundaries of Princeton ("Princeton"), in Mercer County (the "County"). Students from the Township of Cranbury ("Cranbury") attend the School District for grades nine (9) through twelve (12) as part of a sending/receiving relationship.

The Board is a nine (9) member board with members elected for staggered three (3) year terms. Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary. Cranbury is granted a non-voting seat on the Board, with the appointed representative only voting on issues concerning the high school or district-wide. The Board provides education to its students through four (4) elementary schools, one (1) middle school and one (1) high school.

Description of Facilities

The Board presently operates the following school facilities:

Facility	Construction Date	Grade Level	Student Enrollment (As of 6/30/18)	Student Enrollment (As of 6/30/17)
Community Park Elementary School	1962	K-5	380	371
Johnson Park Elementary School	1959	Pre-K-5	390	388
Littlebrook Elementary School	1957	Pre-K-5	373	337
Riverside Elementary School	1959	Pre-K-5	299	283
John Witherspoon Middel School	1965	6-8	721	788
Princeton High School	1927	9-12	1,602	1,584

Source: Comprehensive Annual Financial Report of the School District

Charter Schools

Under the Charter School Program Act, NJSA 18A-36A-1 et seq., the Princeton Charter School ("PCS") opened its doors in 1997 with an initial enrollment of 72 students. PCS offers education to Princeton residents in grades kindergarten (K) through eighth (8) with most students enrolling at Princeton High School in ninth grade. PCS is a public school operated under a charter issued by the Commissioner of Education. PCS is operated independently of the Board. For Fiscal Year 2018-19, the annual tuition cost to the School District is approximately $6.4 million.

PCS filed an application for enrollment expansion for a total of 424 students with the Commissioner of Education in December 2016 which was approved. Such expansion was set to occur in the 2017-18 and 2018-19 fiscal years. PCS's current charter expires at the end of the 2020-21 fiscal year. The School District recently reached an agreement with PCS to remit $30,000 to the School District for each of the 2019-20 and 2020-21 fiscal years to reimburse the School District for tuition paid for PCS students who are not residents of Princeton.

Enrollment history of PCS for the last ten years is as follows:

Fiscal Year	Enrollment
2009-10	345
2010-11	343
2011-12	343
2012-13	342
2013-14	341
2014-15	346
2015-16	348
2016-17	348
2017-18	396
2018-19	424

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 Business Administrator/Board Secretary 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, 2017, for each of the past five (5) years.

	2017	2016	2015	2014	2013
Teaching Professionals	495	477	472	452	473
Support Staff	237	216	213	210	199
Total Full & Part Time Employees	732	693	685	662	672

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

The following table presents the historical average daily pupil enrollments for the past six (6) school years.

Pupil Enrollments

School Year	Enrollment
2017-2018	3,764
2016-2017	3,751
2015-2016	3,553
2014-2015	3,563
2013-2014	3,422
2012-2013	3,415

Source: School District

Labor Relations

The Board currently has labor contracts with the following collective bargaining units:

Association	Date of Contract Expiration
Princeton Regional Education Association ("PREA")	6/30/2020
Princeton Regional Educational Support Staff Association ("PRESSA")	6/30/2020
Princeton Administrative Association ("PAA")	6/30/2020

Source: School District

Pensions

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

State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

Fiscal 2018-19 Budget

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if a school district has opted to move it 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 2018-2019 fiscal year is $90,253,817. The major sources of revenue are $76,246,634 from the local tax levy and $4,773,203 from state aid.

Budget History

The following table presents the General Fund budget and the amount raised by the local tax levy for the past five (5) school years.

Budget Year	Amount Raised in Taxes	Budget Amount
2018-2019	$76,246,634	$90,253,817
2017-2018	73,055,295	87,549,741
2016-2017	70,148,719	82,801,799
2015-2016	68,227,891	81,939,935
2014-2015	65,996,845	79,519,884

Source: School District

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2014 through June 30, 2018 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

	2017	2016	2015	2014	2013
REVENUES					
Local Sources:					
Local Tax Levy	$70,148,719	$68,227,892	$65,996,845	$64,702,790	$63,434,112
Other Local Revenue	5,849,774	6,065,617	5,645,432	5,761,684	5,153,174
Total revenues-local sources	75,998,493	74,293,509	71,642,277	70,464,474	68,587,286
State Sources	13,617,048	12,739,693	11,674,963	10,402,903	11,126,463
Federal Sources	3,730	3,319	11,654	54,769	11,449
Total Revenues	$89,619,271	$87,036,521	$83,328,894	$80,922,146	$79,725,198
EXPENDITURES					
General Fund:					
Instruction	$34,041,310	$33,359,773	$32,363,067	$31,458,331	$30,803,772
Undistributed Expenditures	54,903,698	52,943,352	51,089,999	49,329,339	47,708,655
Capital Outlay	0	0	0	0	81,330
Total Expenditures	$88,945,008	$86,303,125	$83,453,066	$80,787,670	$78,593,757
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	674,263	733,396	(124,172)	134,476	1,131,441
Other Financing Sources (Uses):					
Premium Bonds	0	0	0	0	81,330
Transfers in	3,886	5,236	186,077	0	20,167
Transfers out	0	(1,094,795)	(773,050)	0	0
Total other financing sources (uses)	3,886	(1,089,559)	(586,973)	0	101,497
Net Change in Fund Balance	678,149	(356,163)	(711,145)	134,476	1,232,938
Fund Balance, July 1	7,808,040	8,164,203	8,875,348	8,740,872	7,507,934
Fund Balance, June 30	$8,486,189	$7,808,040	$8,164,203	$8,875,348	$8,740,872

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, 2017, the Board has no capital leases outstanding

Operating Leases

As of June 30, 2017, the Board has no operating leases outstanding.

Short Term Debt

As of June 30, 2017, the Board has no short-term debt outstanding.

Long Term Debt

The following table outlines the outstanding long-term debt of the Board as of June 30, 2017.

Fiscal Year Ending	Principal	Interest	Total
2018	$4,770,000	$961,650	$5,731,650
2019	4,955,000	800,550	5,755,550
2020	5,150,000	632,875	5,782,875
2021	5,345,000	458,088	5,803,088
2022	5,555,000	252,513	5,807,513
2023	1,225,000	24,500	1,249,500
TOTALS	$27,000,000	$3,130,175	$30,130,175

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"). The following is a summation of the Board's debt limitations as of June 30, 2017:

Average Equalized Real Property Valuation (2015, 2016, and 2017)	$7,693,103,748
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	$307,724,150
Less: Bonds and Notes Authorized and Outstanding	27,000,000
Remaining Limitation of Indebtedness	$280,724,150
Percentage of Net School Debt to Average Equalized Valuation	0.35%

Source: Comprehensive Annual Financial Report of the School District

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING PRINCETON

The following material presents certain economic and demographic information of Princeton ("Princeton"), in the County of Mercer (the "County"), in the State of New Jersey (the "State").

Municipal Consolidation

Following an extensive consolidation and shared services study over the course of two years, the Borough of Princeton (the "Borough") and the Township of Princeton (the "Township") conducted a referendum on November 8, 2011, which allowed residents to vote on consolidating the Borough and the Township into one municipality. The referendum was successful and beginning January 1, 2013, the Borough and the Township became one municipality know as Princeton and as a result the obligations as to the prior bonds issued by the Borough and the Township are vested in Princeton as the new municipality.

General Information

Princeton covers 18.5 square miles and is located in west central New Jersey in the northern portion of the County.

Form of Government

Princeton is governed by a Mayor and a six-member Council. The Mayor was elected at large for a four-year term and the Council members are elected at large for staggered three-year terms. The President of the Council, who presides in the absence of the Mayor, was elected annually by the Council from among their membership for a one-year term. The professional staff is headed by an appointed, non-partisan Administrator, a position established by ordinance.

Retirement Systems

All full-time permanent or qualified 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, is the administrator of the funds with the benefit and contribution levels set by the State. Princeton is enrolled in the Defined Contribution Retirement Program, Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information

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

Employment and Unemployment Comparisons

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

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Princeton				
2017	16,572	16,135	437	2.6%
2016	16,595	16,137	458	2.8%
2015	15,603	15,094	509	3.3%
2014	15,574	14,981	593	3.8%
2013	14,820	14,127	693	4.7%
County				
2017	198,846	190,683	8,163	4.1%
2016	199,400	190,708	8,692	4.4%
2015	198,447	188,505	9,942	5.0%
2014	195,547	184,035	11,512	5.9%
2013	193,679	179,551	14,128	7.3%
State				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

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

Income (as of 2016)

	Princeton	County	State
Median Household Income	$118,467	$73,966	$72,093
Median Family Income	181,455	95,533	88,335
Per Capita Income	67,660	38,652	36,582

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

Population

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

	Princeton		County		State	
Year	**Population**	**% Change**	**Population**	**% Change**	**Population**	**% Change**
2017 Estimate	31,822	11.37%	374,733	2.24%	8,958,013	1.89%
2010	28,572	-5.48	366,513	4.49	8,791,894	4.49
2000	30,230	19.89	350,761	7.65	8,414,350	8.85
1990	25,214	-1.95	325,824	5.83	7,730,188	4.96
1980	25,715	-0.95	307,863	1.23	7,365,001	2.75

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

Largest Taxpayers

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

Taxpayers	2017 Assessed Valuation	% of Total Assessed Valuation
Trustees of Princeton University	$395,752,000	5.65%
Palmer Residences 1 LLC	82,539,100	1.18%
Avalon Properties LLC	40,212,000	0.57%
Palmer Sq LTD Partners	35,310,000	0.50%
Jasna Polna Golf Club	31,500,000	0.45%
Princeton (Edens) LLC	32,542,200	0.46%
Nassau Inn Partnership	26,030,100	0.37%
Fountain Ridge (Copperwood)	24,590,900	0.35%
Institute for Advanced Study	22,015,500	0.31%
Princeton Theological Seminary	17,229,200	0.25%
Total	$707,721,000	10.11%

Source: School District CAFR & Municipal Tax Assessor

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2017	$161,754,825	$160,707,370	99.35%
2016	156,620,488	155,890,976	99.53%
2015	151,153,749	150,279,774	99.42%
2014	148,621,930	146,436,237	98.53%
2013	144,030,581	142,636,184	99.03%

Source: Annual Audit Reports

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2017	$128,688	$1,034,987	$1,163,675	0.72%
2016	117,206	1,135,276	1,252,482	0.80%
2015	105,354	1,115,779	1,221,133	0.81%
2014	95,843	841,535	937,378	0.63%
2013	95,814	1,195,427	1,291,241	0.90%

Source: Annual Audit Reports

Property Acquired by Tax Lien Liquidation

Year	Amount
2017	$634,400
2016	634,400
2015	278,400
2014	317,400
2013	330,100

Source: Annual Audit Reports

Tax Rates per $100 of Net Valuations Taxable and Allocations

Year	Municipal	Local School	County	Total
2018	$0.502	$1.119	$0.711	$2.332
2017	0.502	1.101	0.696	2.299
2016	0.495	1.080	0.689	2.264
2015	0.486	1.063	0.663	2.212
2014	0.470	1.047	0.668	2.185

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

Valuation of Property

Year	Aggregate Assessed Valuation of Real Property	Aggregate True Value of Real Property	Ratio of Assessed to True Value	Assessed Value of Personal Property	Equalized Valuation
2018	$7,139,214,600	$8,270,637,859	86.32%	$8,583,276	$8,279,221,135
2017	6,990,951,700	8,007,045,814	87.31	8,823,569	8,015,869,383
2016	6,891,624,800	7,764,336,187	88.76	8,698,857	7,773,035,044
2015	6,813,101,660	7,603,059,547	89.61	8,545,211	7,611,604,758
2014	6,769,628,760	7,420,397,632	91.23	8,619,869	7,429,017,501

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 Princeton for past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2018	$95,025,100	$5,861,854,100	$32,386,800	$811,414,900	$11,759,700	$326,774,000	$7,139,214,600
2017	87,865,000	5,779,425,700	36,947,600	779,781,900	11,759,700	295,171,800	6,990,951,700
2016	88,842,500	5,700,180,500	38,150,200	778,304,700	11,759,700	274,387,200	6,891,624,800
2015	92,656,100	5,619,263,400	49,403,410	772,598,550	8,981,700	270,198,500	6,813,101,660
2014	90,710,900	5,572,589,600	47,280,410	788,160,750	8,981,700	261,905,400	6,769,628,760

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

Princeton Indebtedness as of December 31, 2017

General Purpose Debt	
Serial Bonds	$80,553,724
Bond Anticipation Notes	1,774,000
Bonds and Notes Authorized but Not Issued	21,159,849
Other Bonds, Notes and Loans	6,363,486
Total:	$109,851,060
Local School District Debt	
Serial Bonds	$27,000,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$27,000,000
Parking Utility Debt	
Serial Bonds	$8,600,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	318,000
Total:	$8,918,000
Affordable Housing Utility Debt	
Serial Bonds	$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	$0
TOTAL GROSS DEBT	**$145,769,060**
Less: Statutory Deductions	
General Purpose Debt	$1,616,423
Regional School District Debt	27,000,000
Parking Utility Debt	8,918,000
Affordable Housing Utility	0
Total:	$37,534,423
TOTAL NET DEBT	**$108,234,637**

Source: Annual Debt Statement

Overlapping Debt (as of December 31, 2017)[1]

Name of Related Entity	Related Entity Debt Outstanding	Princeton Percentage	Princeton Share
Regional School District	$27,000,000	100.00%	$27,000,000
Stony Brook Reg. Sewerage Authority	24,049,222	33.18%	7,979,532
Improvement Authority	15,764,191	100.00%	15,764,191
County	531,752,113	18.04%	95,906,805
Net Indirect Debt			$146,650,528
Net Direct Debt			108,234,637
Total Net Direct and Indirect Debt			**$254,885,165**

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	$7,791,480,516
Permitted Debt Limitation (3 1/2%)	272,701,818
Less: Net Debt	108,234,637
Remaining Borrowing Power	$164,467,181
Percentage of Net Debt to Average Equalized Valuation	1.389%
Gross Debt Per Capita based on 2010 population of 28,572	$5,102
Net Debt Per Capita based on 2010 population of 28,572	$3,788

Source: Annual Debt Statement

[1] Princeton percentage of County and Improvement Authority debt is based on Princeton's share of total equalized valuation in the County. Princeton's percentage of utilities authority debt is based on Princeton's portion of total flow from each respective authority.

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APPENDIX B

FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF PRINCETON IN THE COUNTY OF MERCER, NEW JERSEY

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PRINCETON PUBLIC SCHOOLS

UNAUDITED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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Unaudited

Princeton Public Schools

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 4,636,355	$ 332,346	$ 4,968,701
Accounts receivable	2,321,447	29,107	2,350,554
Inventories		16,641	16,641
Restricted assets:			
Cash and cash equivalents	2,242,450		2,242,450
Capital assets, non-depreciable	282,160		282,160
Capital assets, depreciable, net	83,409,431	159,217	83,568,648
Total assets	92,891,843	537,311	93,429,154
Deferred Outflows of Resources			
Deferred loss on defeasance of debt	710,766		710,766
Pension deferrals	10,956,753		10,956,753
Total deferred outflows of resources	11,667,519		11,667,519
Total assets and deferred outflows of resources	104,559,362	537,311	105,096,673
Liabilities			
Accounts payable	2,196,280	22,136	2,218,416
Accrued interest payable	333,563		333,563
Intergovernmental payables:			
State	78,197		78,197
Unearned revenue	134,329	47,979	182,308
Other liabilities	820		820
Net pension liability	30,712,413		30,712,413
Current portion of long-term obligations	5,660,642		5,660,642
Noncurrent portion of long-term obligations	23,063,709		23,063,709
Total liabilities	62,179,953	70,115	62,250,068
Deferred Inflow of Resources			
Pension deferrals	6,930,369		6,930,369
Net position			
Net investment in capital assets	61,422,775	159,217	61,581,992
Restricted for:			
Capital reserve	2,242,450		2,242,450
Capital projects	534,664		534,664
Excess Surplus-prior year	193,609		193,609
Unrestricted (deficit)	(28,944,458)	307,979	(28,636,479)
Total net position	$ 35,449,040	$ 467,196	$ 35,916,236

See accompanying notes to the basic financial statements.

Unaudited

Princeton Public Schools

Statement of Activities

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Total
Governmental activities						
Instruction	$ 66,168,886	$ 5,228,140	$ 1,607,455	$ (59,333,291)		$ (59,333,291)
Support services:						
Attendance/social work	455,682			(455,682)		(455,682)
Health services	1,454,730			(1,454,730)		(1,454,730)
Other support services	11,949,660		820,144	(11,129,516)		(11,129,516)
Improvement of instruction	397,955			(397,955)		(397,955)
Other support: instructional staff	1,926,326			(1,926,326)		(1,926,326)
School library	2,299,225			(2,299,225)		(2,299,225)
General administration	1,327,006			(1,327,006)		(1,327,006)
School administration	4,493,210			(4,493,210)		(4,493,210)
Central services	2,094,856			(2,094,856)		(2,094,856)
Admin info technology	1,309,704			(1,309,704)		(1,309,704)
Required maintenance of plant services	2,044,138			(2,044,138)		(2,044,138)
Operation of plant	7,436,669			(7,436,669)		(7,436,669)
Student transportation	4,092,854	168,768		(3,924,086)		(3,924,086)
Charter schools	5,539,621			(5,539,621)		(5,539,621)
Interest on long-term debt	866,111			(866,111)		(866,111)
Total governmental activities	113,856,633	5,396,908	2,427,599	(106,032,126)		(106,032,126)
Business-type activities						
Food service	1,103,582	787,213	323,289		$ 6,920	6,920
Total business-type activities	1,103,582	787,213	323,289		6,920	6,920
Total primary government	$ 114,960,215	$ 6,184,121	$ 2,750,888	(106,032,126)	6,920	(106,025,206)

	Governmental Activities	Business-type Activities	Total
General revenues:			
Property taxes, levied for general purposes	73,055,295		73,055,295
Property taxes, levied for debt service	5,512,273		5,512,273
Federal and state sources	25,308,417		25,308,417
Investment earnings	83,202	1,978	85,180
Miscellaneous income	427,356		427,356
Total general revenues	104,386,543	1,978	104,388,521
Change in net position	(1,645,583)	8,898	(1,636,685)
Net position—beginning	37,094,623	458,298	37,552,921
Net position—ending	$ 35,449,040	$ 467,196	$ 35,916,236

See accompanying notes to the basic financial statements.

Princeton Public Schools
Governmental Funds

Balance Sheet

June 30, 2018

	Major Funds: General Fund	Major Funds: Special Revenue Fund	Major Funds: Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 2,790,669	$ 260,084	$ 1,585,602		$ 4,636,355
Accounts receivable:					
State	1,560,706	3,426			1,564,132
Federal		110,763			110,763
Local	503,572	574			504,146
Interfund	828,423			$ 586,789	1,415,212
Other	117,406				117,406
Restricted cash and cash equivalents	2,242,450				2,242,450
Total assets	$ 8,043,226	$ 374,847	$ 1,585,602	$ 586,789	$ 10,590,464
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 632,988	$ 208,988			$ 841,976
Intergovernmental payables:					
State		78,197			78,197
Interfunds payable			$ 963,106	$ 452,106	1,415,212
Unearned revenue	42,537	91,792			134,329
Other liabilities		820			820
Total liabilities	675,525	379,797	963,106	452,106	2,470,534
Fund balances:					
Restricted for:					
Capital reserve	2,242,450				2,242,450
Capital projects			622,496		622,496
Debt service				134,683	134,683
Excess surplus-prior year	193,609				193,609
Assigned to:					
Designated for subsequent year expenditures	2,925,000				2,925,000
Other purposes	298,468				298,468
Unassigned (deficit)	1,708,174	(4,950)			1,703,224
Total fund balances	7,367,701	(4,950)	622,496	134,683	8,119,930
Total liabilities and fund balances	$ 8,043,226	$ 374,847	$ 1,585,602	$ 586,789	

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 $128,478,778 and the accumulated depreciation is $44,787,187. (See Note 4)	83,691,591
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(333,563)
Long-term liabilities, including bonds payable and compensated absences are not due in the current period and therefore are not liabilities in the funds.	(28,724,351)
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 bonds.	710,766
Legal settlement is a receivable in the statement of activities, but not reported in the funds.	25,000
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	4,026,384
Accrued pension contributions for the June 30, 2018 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.	(1,354,304)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(30,712,413)
Net position of governmental activities	$ 35,449,040

Princeton Public Schools
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2018

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Local sources:					
Local tax levy	$ 73,055,295			$ 5,512,273	$ 78,567,568
Tuition	5,228,140				5,228,140
Interest on investments	73,807		$ 9,395		83,202
Transportation-hazardous routes	168,768				168,768
Miscellaneous	427,356	$ 61,557			488,913
Total local sources	78,953,366	61,557	9,395	5,512,273	84,536,591
State sources	15,668,123	841,100			16,509,223
Federal sources	5,023	1,524,942			1,529,965
Total revenues	94,626,512	2,427,599	9,395	5,512,273	102,575,779
Expenditures:					
Current:					
Instruction	36,051,586				36,051,586
Support services:					
Instruction - tuition to other districts	2,853,951	1,607,455			4,461,406
Attendance/social work	263,481				263,481
Health services	849,999				849,999
Support services	6,643,654	820,144			7,463,798
Improvement of instruction	243,689				243,689
Other support: instructional staff	867,495				867,495
School library	1,299,750				1,299,750
General administration	942,831				942,831
School administration	2,517,971				2,517,971
Central services	1,303,813				1,303,813
Administration information technology	1,180,271				1,180,271
Required maintenance of plant services	1,542,574				1,542,574
Operation of plant-custodial services	4,715,409				4,715,409
Care & upkeep of grounds	406,268				406,268
Security	206,457				206,457
Student transportation	3,296,172				3,296,172
Employee benefits	14,501,228				14,501,228
On-behalf pension, medical and disability contributions	8,089,243				8,089,243
On-behalf TPAF social security contributions	2,566,087				2,566,087
Contribution to charter schools - current	5,539,621				5,539,621
Capital outlay			116,620		116,620
Debt Service:					
Principal	239,765			4,770,000	5,009,765
Interest				961,650	961,650
Total expenditures	96,121,315	2,427,599	116,620	5,731,650	104,397,184
Deficiency of revenues under expenditures	(1,494,803)	-	(107,225)	(219,377)	(1,821,405)
Other financing sources (uses):					
Transfers in	376,315			354,060	730,375
Transfers out			(730,375)		(730,375)
Total other financing sources (uses)	376,315		(730,375)	354,060	-
Change in fund balances before special item	(1,118,488)	-	(837,600)	134,683	(1,821,405)
Special item-legal settlement			100,000		100,000
Net change in fund balances	(1,118,488)	-	(737,600)	134,683	(1,721,405)
Fund balances (deficit), July 1	8,486,189	(4,950)	1,360,096	-	9,841,335
Fund balances (deficit), June 30	$ 7,367,701	$ (4,950)	$ 622,496	$ 134,683	$ 8,119,930

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

Princeton Public Schools
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2018

Total net change in fund balances - governmental funds (from B-2)		$ (1,721,405)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital assets additions in the period.		
Depreciation expense	$ (3,609,788)	
Capital asset additions	638,535	(2,971,253)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year.		67,125
Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		4,770,000
Governmental funds report the effect of premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred interest costs.		206,104
Governmental funds report the effect of refunding transactions when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred loss on refunding.		(177,690)
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 change from the prior year.		(132,430)
Legal settlement was recorded as revenue in the statement of activities in the prior year, but not reported in the governmental funds until collected. The amount presented is the current year collections of legal settlement receivable.		(100,000)
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		(1,586,034)
Change in net position of governmental activities (A-2)		$ (1,645,583)

See accompanying notes to the basic financial statements.

Unaudited

Princeton Public Schools
Enterprise Fund

Statement of Net Position

June 30, 2018

	Major Fund Food Service
Assets	
Current assets:	
Cash and cash equivalents	$ 332,346
Accounts receivable:	
State	718
Federal	22,116
Other	6,273
Inventories	16,641
Total current assets	378,094
Non-current assets:	
Capital assets:	
Equipment	911,001
Accumulated depreciation	(751,784)
Total capital assets, net	159,217
Total assets	537,311
Liabilities	
Current liabilities:	
Accounts payable	22,136
Unearned revenue	47,979
Total current liabilities	70,115
Net position	
Investment in capital assets	159,217
Unrestricted	307,979
Total net position	$ 467,196

See accompanying notes to the basic financial statements.

Unaudited

Princeton Public Schools
Enterprise Fund

Statement of Revenues, Expenses and Changes in Fund Net Position

Year ended June 30, 2018

		Major Fund Food Service
Operating revenues:		
Local sources:		
Daily food sales-reimbursable programs	$	344,414
Daily food sales-non-reimbursable programs		369,428
Special event income		38,690
Miscellaneous income		34,681
Total operating revenues		787,213
Operating expenses:		
Salaries		421,572
Employee benefits		61,537
Other purchased services		44,830
Supplies and materials		56,665
Depreciation		30,809
Cost of sales- non-program revenues		128,546
Cost of sales- program revenues		279,000
Management and administrative fees		66,856
Miscellaneous		13,767
Total operating expenses		1,103,582
Operating loss		(316,369)
Nonoperating revenues:		
State sources:		
State school lunch program		8,381
Federal sources:		
National school breakfast program		35,396
National school lunch program		216,962
Food donation program		62,550
Interest		1,978
Total nonoperating revenues		325,267
Change in net position		8,898
Total net position-beginning		458,298
Total net position-ending	$	467,196

See accompanying notes to the basic financial statements.

Unaudited

Princeton Public Schools
Enterprise Fund

Statement of Cash Flows

Year ended June 30, 2018

		Major Fund Food Service
Cash flows from operating activities		
Receipts from customers	$	776,320
Payments to employees		(421,572)
Payments for employee benefits		(61,537)
Payments to suppliers		(598,023)
Net cash used in operating activities		(304,812)
Cash flows from noncapital financing activities		
Cash received from state and federal reimbursements		258,254
Receipts from food donation program		61,842
Net cash provided by noncapital financing activities		320,096
Cash flows from capital and related financing activities		
Acquisition of capital assets		(39,723)
Net cash used in capital and related financing activities		(39,723)
Cash flows from investing activities		
Interest received		1,978
Net cash provided by investing activities		1,978
Net decrease in cash and cash equivalents		(22,461)
Cash and cash equivalents, beginning of year		354,807
Cash and cash equivalents, end of year	$	332,346
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(316,369)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		30,809
Change in assets and liabilities:		
Increase in accounts receivable		(1,733)
Decrease in inventory		124
Increase in accounts payable		5,164
Decrease in interfund payable		(13,647)
Decrease in unearned revenue		(9,160)
Net cash used in operating activities	$	(304,812)

Noncash noncapital financing activities:

The District received $61,842 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2018.

See accompanying notes to the basic financial statements.

Unaudited

Princeton Public Schools
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2018

	Private-Purpose Scholarship Funds	Unemployment Compensation Trust	Agency Funds
Assets			
Cash and cash equivalents	$ 14,663	$ 533,288	$ 1,288,155
Total assets	14,663	533,288	$ 1,288,155
Liabilities			
Accounts payable		$ 13,985	
Payroll deductions and withholdings payable			$ 539,436
Summer savings payable			339,734
Due to student groups			408,985
Total liabilities		13,985	$ 1,288,155
Net Position			
Held in trust for scholarships	$ 14,663		
Held in trust for unemployment claims and other purposes		$ 519,303	

See accompanying notes to the basic financial statements.

Unaudited

Princeton Public Schools
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2018

	Private-Purpose Scholarship Fund	Unemployment Compensation Trust
Additions		
Contributions:		
Plan member contributions		$ 76,366
Total contributions		76,366
Investment earnings:		
Interest	$ 113	2,627
Total additions	113	78,993
Deductions		
Unemployment benefit payments		56,416
Scholarship payments	6,000	
Total deductions	6,000	56,416
Change in net position	(5,887)	22,577
Net position-beginning	20,550	496,726
Net position-ending	$ 14,663	$ 519,303

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

PRINCETON PUBLIC SCHOOLS
PRINCETON, NEW JERSEY

Prepared by Princeton Public Schools
Business Office
Stephanie Kennedy
Business Administrator, Board Secretary

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WISS
A Partner to Grow With

INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Education
Princeton Public Schools
Princeton, New Jersey
County of Mercer

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 Princeton Public Schools, County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2017, 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.

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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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Scott A. Clelland

Scott A. Clelland
Licensed Public School Accountant
No. 1049

Wiss & Company

WISS & COMPANY, LLP

October 18, 2017
Livingston, New Jersey

PRINCETON PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

As management of Princeton Public Schools, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended June 30, 2017. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard 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 fiscal year and the prior fiscal year is presented in the MD&A as required by GASB Statement No. 34.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave and pension liability).

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 13-15 of this report.

Proprietary funds. The District maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of its food service program.

The basic enterprise fund financial statements can be found on pages 16-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity of the private-purpose scholarship fund and unemployment compensation trust fund.

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for 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 21-49 of this report.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $37,552,921 (net position) for the fiscal year ended June 30, 2017 and our overall financial position has decreased slightly in the current year. The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2017 and 2016:

The largest portion of the District's net position is its net investment in capital assets. Restricted net position includes those items that are subject to external restrictions (e.g., for capital projects, capital reserve and excess fund balance in the general fund).

Princeton Public Schools
Princeton, New Jersey
Net Position
Year Ended June 30,

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	$ 10,987,669	$ 382,814	$ 11,370,483	$ 11,236,244	$ 302,247	$ 11,538,491
Capital assets, net	86,662,844	150,303	86,813,147	88,485,652	171,210	88,656,862
Total assets	97,650,513	533,117	98,183,630	99,721,896	473,457	100,195,353
Deferred outflows of resources	15,991,966		15,991,966	7,173,341		7,173,341
Liabilities:						
Current liabilities	7,846,643	74,819	7,921,462	7,593,340	54,405	7,647,745
Net pension liability	40,347,557		40,347,557	27,491,446		27,491,446
Long-term liabilities	28,353,656		28,353,656	33,320,676		33,320,676
Total liabilities	76,547,856	74,819	76,622,675	68,405,462	54,405	68,459,867
Deferred inflow of resources	-		-	442,010		442,010
Net position:						
Net investment in capital assets	59,712,054	150,303	59,862,357	57,046,654	171,210	57,217,864
Restricted for capital reserve	2,274,167		2,274,167	2,222,937		2,222,937
Restricted for capital projects	1,155,824		1,155,824	1,952,005		1,952,005
Restricted for excess surplus-current year	193,609		193,609	711,742		711,742
Restricted for excess surplus-prior year	711,742		711,742	147,897		147,897
Unrestricted (deficit)	(26,952,773)	307,995	(26,644,778)	(24,033,470)	247,842	(23,785,628)
Total net position	$ 37,094,623	$ 458,298	$ 37,552,921	$ 38,047,765	$ 419,052	$ 38,466,817

Current and other assets decreased primarily due to the decrease in cash and cash equivalents, as a withdrawal of approximately $285,000 was made from the capital reserve and utilized to fund capital projects. Deferred outflows of resources increased due to the large increase in pension deferrals based on actuarial calculations mainly from the change in assumptions used. Net pension liability increased as a result of changes of assumptions by the pension plan's actuary as well as changes in proportion of the allocation of the net pension liability. Long-term liabilities decreased mainly due to the payment of principal on debt. Deferred inflow of resources decreased due to the difference between the projected and actual earnings on pension plan investments.

Capital assets, net decreased from the prior year due to the completion of several projects, which resulted in a majority of prior year construction in progress balance being placed in service and depreciated in the current year. As a result, depreciation expense exceeded capital asset additions, contributing to the overall decrease.

Net investment in capital assets increased from the prior year due to the overall decrease in bonds payable and unamortized premium (used to build or acquire capital assets), due to regular payments of principal made during the current year.

There was no substantial change in business-type activity assets, liabilities and net position for the year ended June 30, 2017.

Government-wide activities. The key elements of the District's net position for the years ended June 30, 2017 and 2016 are as follows:

Princeton Public Schools
Princeton, New Jersey
Net Position
Year Ended June 30,

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for services	$ 5,320,393	$ 754,998	$ 6,075,391	$ 5,570,959	$ 635,162	$ 6,206,121
Operating grants and contributions	2,436,682	312,002	2,748,684	2,216,199	300,296	2,516,495
Capital grants and contributions	458,968		458,968	21,749		21,749
General revenues:						
Property taxes	75,596,645		75,596,645	73,412,568		73,412,568
Federal and state aid not restricted to specific purporses	28,887,329		28,887,329	22,530,148		22,530,148
Earnings on investments	83,404	1,731	85,135	87,684	1,502	89,186
Miscellaneous	457,106		457,106	673,868		673,868
Total Revenues	113,240,527	1,068,731	114,309,258	104,513,175	936,960	105,450,135
Expenses:						
Instructional services	66,875,881		66,875,881	60,336,519		60,336,519
Support services	41,330,206	1,029,485	42,359,691	37,101,814	965,528	38,067,342
Charter school	4,745,777		4,745,777	4,907,407		4,907,407
Interest on long-term debt	1,241,805		1,241,805	1,357,596		1,357,596
Total expenses	114,193,669	1,029,485	115,223,154	103,703,336	965,528	104,668,864
Change in net position	(953,142)	39,246	(913,896)	809,839	(28,568)	781,271
Net position-beginning of year	38,047,765	419,052	38,466,817	37,237,926	447,620	37,685,546
Net position-end of year	$ 37,094,623	$ 458,298	$ 37,552,921	$ 38,047,765	$ 419,052	$ 38,466,817

The change in capital grants and contributions was related to the increased work that was performed in the current year relating to the New Jersey Schools Development Authority grants in the current year as compared to the prior year.

Property taxes increased $2,184,077, which was in accordance with state regulations.

The increase in unrestricted federal and state aid is mainly due to an increase in the TPAF full accrual pension adjustment of $6,440,065, as well as an increase in on-behalf TPAF pension contributions of $858,198.

Instructional and support services expenses increased due to increases in the number of employees, and salary and benefits increases, as well as increase in the on-behalf TPAF pension contributions.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable 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, unassigned fund balance was $2,159,598, while the total fund balance was $8,486,189. The net change in total fund balance for the General Fund was an increase of $678,149, which was mainly attributable to District not making significant transfers to the capital projects fund. The District withdrew $285,000 for the use of capital projects and deposited $263,000 into capital reserve.

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 were comparable to the prior fiscal year, with an increase of $220,483 attributable mostly to an increase in federal and state grants expended. IDEA continues to be the largest grant in the special revenue fund, with expenditures in the current fiscal year of $1,137,135.

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 assets (other than those financed by proprietary funds). There were expenditures of $1,322,626 in the current fiscal year compared to expenditures of $381,872 in the prior year. The increase was mainly due to current year expenditures relating to three New Jersey Schools Development Authority grants that were awarded that were started in the prior year and completed in the current year. Prior year expenditures related to three grant projects that were started, but not completed in the prior year.

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 $-0-, which is attributable to the entire fund balance being used in the budget to offset current year payments.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2017,.and the increases in relation to prior year.

Revenue	Amount	Percent of Total	Increase from 2016	Percent of Increase
Local sources	$ 81,494,006	83.6%	$ 1,920,489	2.4%
State sources	14,423,126	14.8	992,040	7.4
Federal sources	1,586,747	1.6	153,954	10.7
Total	$ 97,503,879	100.0%	$ 3,066,483	3.2%

The increase in local sources is mainly attributable to an increase in the tax levy of $2,184,077.

The increase in state sources is mainly attributable to the increase in the TPAF pension contributions made by the State of New Jersey on-behalf of the District during the current year of $858,198, plus increases in various other state grants.

The increase in federal sources is mainly attributable to an increase in the IDEA grant in the current year of $103,903, plus increase in various other federal grants.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2017, and the increases and decreases in relation to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2016	Percent of Increase (Decrease)
Current expenditures:				
Instruction	$ 38,166,287	39.3%	$ 652,224	1.7%
Support services	48,229,861	49.7	2,371,772	5.2
Charter schools	4,745,777	4.9	(161,630)	(3.3)
Debt service:				
Principal	4,874,765	5.0	140,000	3.0
Interest	1,079,600	1.1	(114,250)	(9.6)
Total	$ 97,096,290	100.0%	$ 2,888,116	3.1%

The increase in instruction and support services expenditures is mainly attributable to the increase in the number of instruction related employees as well as the increase in salaries of teachers and other employees for regular programs and special education instruction, as well an increase in the related health benefits and the increase in the State of New Jersey on-behalf pension contributions.

General Fund Budgetary Highlights

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

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

Expenditures

- The modified budget for regular programs-undistributed instruction for other salaries for instruction decreased from the original budget by approximately $321,000 or 29% as a result of the accumulated leave budgeted amounts transferring to the budget line associated with payouts.

- The modified budget for undistributed expenditures-instruction for tuition to CSSD and regional day schools decreased from the original budget by approximately $186,000 or 20% as a result of fewer students attending CSSD in the current year.

- The modified budget for undistributed expenditures-child study team for purchased professional educational services increased from the original budget by approximately $299,000 or 43% as a result of encumbering of additional funds in anticipation of service needs.

- The modified budget for undistributed instruction – non-instructional services for school buses-regular increased from the original budget by approximately $272,000 or 100% as a result of the purchase of buses during the 2016-2017 school year to bring routes in house rather than contract out for the services.

- The modified budget for facilities acquisition and construction services for construction services increased by approximately $285,000 or 100% as a result of the capital reserve withdrawal used to fund capital projects ongoing.

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 extraordinary aid was in excess of the modified budget by approximately $778,062 or 63% 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.

Expenditures

- The actual amounts expended for undistributed expenditures-child study team for purchased professional educational services were less than the final budget by approximately $177,000 or 22% as a result of the District transferring $299,000 in anticipation of services and then canceling $155,000 of purchase orders due to no longer being needed.

- The actual amounts expended for undistributed expenditures-required maintenance for school facilities for cleaning, repair and maintenance services were less than the final budget by approximately $241,000 or 45% as a result of approximately $174,000 in encumbrances due to timing.

- The actual amounts expended for unallocated benefits for health benefits were less than the final budget by approximately $235,000 or 2% as a result of the District over budgeting instead of using the prior year actual as the current year budgeted amount.

Capital Assets

At the end of the fiscal years ended June 30, 2017 and 2016, the District had $86,813,147 and $88,656,862, respectively, net invested in land, construction in progress, land improvements, building and building improvements and machinery and equipment and vehicles, net of accumulated depreciation or amortization.

	Capital Assets (Net of Depreciation)			
	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Land	$ 195,190	$ 195,190		
Construction in progress	74,261	176,708		
Building and building improvements	84,385,004	86,062,833		
Machinery and equipment	2,008,389	2,050,921	$ 150,303	$ 171,210
Total	$ 86,662,844	$ 88,485,652	$ 150,303	$ 171,210

The decrease in capital assets, net is due to capital asset additions being less than depreciation expense during the 2016-17 year. For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration and Long-Term Liabilities

At June 30, 2017, the District had $73,915,482 of outstanding long-term liabilities. Of this amount, $40,347,557 is for the net pension liability, $5,524,507 is for compensated absences; $27,000,000 of serial bonds for school construction; and $1,043,518 is for the unamortized premium on bonds. The District paid $4,635,000 of the principal balance of outstanding bonds during the 2016-17 fiscal year and no additional bonds were issued. The legal debt margin at June 30, 2017 is $280,724,150.

Additional information on Princeton Public Schools' long-term liabilities can be found in Note 5 to the basic financial statements.

Economic Factors and Next Year's Budget

- The District budgeted $3,601,453 of its 2017 fund balance to partially fund 2017-2018 operations, an increase of $1,059,556 from the prior year.

- The 2017-2018 tax levy was increased in accordance with state regulations.

All of the above factors were considered in preparing the District's 2017-18 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of Princeton Public Schools finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the School Business Administrator, 25 Valley Road, Princeton, New Jersey 08540.

PRINCETON PUBLIC SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 6,181,257	$ 354,807	$ 6,536,064
Accounts receivable	2,518,598	24,889	2,543,487
Internal balances	13,647	(13,647)	-
Inventories		16,765	16,765
Restricted assets:			
Cash and cash equivalents	2,274,167		2,274,167
Capital assets, non-depreciable	269,451		269,451
Capital assets, depreciable, net	86,393,393	150,303	86,543,696
Total assets	97,650,513	533,117	98,183,630
Deferred Outflows of Resources			
Deferred loss on defeasance of debt	888,456		888,456
Pension deferrals	15,103,510		15,103,510
Total deferred outflows of resources	15,991,966		15,991,966
Total assets and deferred outflows of resources	113,642,479	533,117	114,175,596
Liabilities			
Accounts payable	2,068,167	16,972	2,085,139
Accrued interest payable	400,688		400,688
Intergovernmental payables:			
State	88,414		88,414
Unearned revenue	58,585	57,847	116,432
Other liabilities	16,420		16,420
Net pension liability	40,347,557		40,347,557
Current portion of long-term obligations	5,214,369		5,214,369
Noncurrent portion of long-term obligations	28,353,656		28,353,656
Total liabilities	76,547,856	74,819	76,622,675
Net position			
Net investment in capital assets	59,712,054	150,303	59,862,357
Restricted for:			
Capital reserve	2,274,167		2,274,167
Capital projects	1,155,824		1,155,824
Excess Surplus-current year	193,609		193,609
Excess Surplus-prior year	711,742		711,742
Unrestricted (deficit)	(26,952,773)	307,995	(26,644,778)
Total net position	$ 37,094,623	$ 458,298	$ 37,552,921

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	$ 66,875,881	$ 5,150,332	$ 1,530,226	$ 274,997	$ (59,920,326)		$ (59,920,326)
Support services:							
Attendance/social work	457,074			1,743	(455,331)		(455,331)
Health services	1,486,377			5,825	(1,480,552)		(1,480,552)
Other support services	12,087,016		906,456	51,152	(11,129,408)		(11,129,408)
Improvement of instruction	398,589			1,629	(396,960)		(396,960)
Other support: instructional staff	2,471,468			9,074	(2,462,394)		(2,462,394)
School library	3,026,047			13,513	(3,012,534)		(3,012,534)
General administration	1,354,304			6,669	(1,347,635)		(1,347,635)
School administration	4,926,312			19,425	(4,906,887)		(4,906,887)
Central services	2,059,619			8,482	(2,051,137)		(2,051,137)
Admin info technology	191,128			727	(190,401)		(190,401)
Required maintenance of plant services	1,755,275			8,730	(1,746,545)		(1,746,545)
Operation of plant	7,322,755			35,900	(7,286,855)		(7,286,855)
Student transportation	3,794,242	170,061		21,102	(3,603,079)		(3,603,079)
Charter schools	4,745,777				(4,745,777)		(4,745,777)
Interest on long-term debt	1,241,805				(1,241,805)		(1,241,805)
Total governmental activities	114,193,669	5,320,393	2,436,682	458,968	(105,977,626)		(105,977,626)
Business-type activities							
Food service	1,029,485	754,998	312,002			$ 37,515	37,515
Total business-type activities	1,029,485	754,998	312,002			37,515	37,515
Total primary government	$ 115,223,154	$ 6,075,391	$ 2,748,684	$ 458,968	(105,977,626)	37,515	(105,940,111)
General revenues:							
Property taxes, levied for general purposes					70,148,719		70,148,719
Property taxes, levied for debt service					5,447,926		5,447,926
Federal and state sources					28,887,329		28,887,329
Investment earnings					83,404	1,731	85,135
Miscellaneous income					457,106		457,106
Total general revenues					105,024,484	1,731	105,026,215
Change in net position					(953,142)	39,246	(913,896)
Net position—beginning					38,047,765	419,052	38,466,817
Net position—ending					$ 37,094,623	$ 458,298	$ 37,552,921

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 4,803,150	$ 176,917	$ 1,201,190		$ 6,181,257
Accounts receivable:					
State	1,522,307	2,239	480,717		2,005,263
Federal		143,598			143,598
Local	170,061	1,655			171,716
Interfund	257,505			$ 239,972	497,477
Other	73,021				73,021
Restricted cash and cash equivalents	2,274,167				2,274,167
Total assets	$ 9,100,211	$ 324,409	$ 1,681,907	$ 239,972	$ 11,346,499
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 598,422	$ 181,540	$ 77,953		$ 857,915
Intergovernmental payables:					
State		88,414			88,414
Interfunds payable			243,858	$ 239,972	483,830
Unearned revenue		58,585			58,585
Other liabilities	15,600	820			16,420
Total liabilities	614,022	329,359	321,811	239,972	1,505,164
Fund balances:					
Restricted for:					
Capital reserve	2,274,167				2,274,167
Capital projects			1,360,096		1,360,096
Excess surplus-current year	193,609				193,609
Excess surplus-prior year	711,742				711,742
Assigned to:					
Designated for subsequent year expenditures	2,888,589				2,888,589
Designated for subsequent year expenditures - ARRA SEMI	1,122				1,122
Other purposes	257,362				257,362
Unassigned (deficit)	2,159,598	(4,950)			2,154,648
Total fund balances	8,486,189	(4,950)	1,360,096	-	9,841,335
Total liabilities and fund balances	$ 9,100,211	$ 324,409	$ 1,681,907	$ 239,972	

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 $127,840,243 and the accumulated depreciation is $41,177,399. (See Note 4)	86,662,844
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(400,688)
Long-term liabilities, including bonds payable and compensated absences are not due in the current period and therefore are not liabilities in the funds.	(33,568,025)
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 bonds.	888,456
Legal settlement is a receivable in the statement of activities, but not reported in the funds.	125,000
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	15,103,510
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.	(1,210,252)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(40,347,557)
Net position of governmental activities	$ 37,094,623

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Local sources:					
Local tax levy	$ 70,148,719			$ 5,447,926	$ 75,596,645
Tuition	5,150,332				5,150,332
Interest on investments	72,275		$ 11,129		83,404
Transportation-hazardous routes	170,061				170,061
Miscellaneous	457,106	$ 47,587			504,693
Total local sources	75,998,493	47,587	11,129	5,447,926	81,505,135
State sources	13,617,048	806,078	458,968		14,882,094
Federal sources	3,730	1,583,017			1,586,747
Total revenues	89,619,271	2,436,682	470,097	5,447,926	97,973,976
Expenditures:					
Current:					
Instruction	34,041,310				34,041,310
Support services:					
Instruction	2,594,751	1,530,226			4,124,977
Attendance/social work	241,931				241,931
Health services	808,401				808,401
Support services	6,192,862	906,456			7,099,318
Improvement of instruction	226,120				226,120
Other support: instructional staff	1,259,391				1,259,391
School library	1,875,472				1,875,472
General administration	925,642				925,642
School administration	2,695,930				2,695,930
Central services	1,177,230				1,177,230
Administration information technology	100,957				100,957
Required maintenance of plant services	1,211,611				1,211,611
Operation of plant-custodial services	4,391,677				4,391,677
Care & upkeep of grounds	434,988				434,988
Security	155,794				155,794
Student transportation	2,928,654				2,928,654
Employee benefits	13,848,964				13,848,964
On-behalf pension contributions	6,428,046				6,428,046
On-behalf TPAF social security contributions	2,419,735				2,419,735
Contribution to charter schools - current	4,745,777				4,745,777
Capital outlay			1,322,626		1,322,626
Debt Service:					
Principal	239,765			4,635,000	4,874,765
Interest				1,079,600	1,079,600
Total expenditures	88,945,008	2,436,682	1,322,626	5,714,600	98,418,916
Excess (Deficiency) of revenues over (under) expenditures	674,263	-	(852,529)	(266,674)	(444,940)
Other financing sources (uses):					
Transfers in	3,886			239,972	243,858
Transfers out			(243,858)		(243,858)
Total other financing sources (uses)	3,886		(243,858)	239,972	-
Change in fund balances before special item	678,149	-	(1,096,387)	(26,702)	(444,940)
Special item-legal settlement			125,000		125,000
Net change in fund balances	678,149	-	(971,387)	(26,702)	(319,940)
Fund balances (deficit), July 1	7,808,040	(4,950)	2,331,483	26,702	10,161,275
Fund balances (deficit), June 30	$ 8,486,189	$ (4,950)	$ 1,360,096	$ -	$ 9,841,335

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

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds (from B-2)		$ (319,940)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital assets additions in the period.		
Depreciation expense	$ (3,596,371)	
Capital asset additions	1,773,563	(1,822,808)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year.		49,145
Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		4,635,000
Governmental funds report the effect of premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred interest costs.		206,104
Governmental funds report the effect of refunding transactions when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred loss on refunding.		(177,690)
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 change from the prior year.		19,833
Legal settlement was recorded as revenue in the statement of activities in the prior year, but not reported in the governmental funds until collected. The amount presented is the current year collections of legal settlement receivable.		(125,000)
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		(3,417,786)
Change in net position of governmental activities (A-2)		$ (953,142)

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
ENTERPRISE FUND

STATEMENT OF NET POSITION

JUNE 30, 2017

	Major Fund Food Service
Assets	
Current assets:	
Cash and cash equivalents	$ 354,807
Accounts receivable:	
State	592
Federal	19,757
Other	4,540
Inventories	16,765
Total current assets	396,461
Non-current assets:	
Capital assets:	
Equipment	871,278
Accumulated depreciation	(720,975)
Total capital assets, net	150,303
Total assets	546,764
Liabilities	
Current liabilities:	
Accounts payable	16,972
Unearned revenue	57,847
Interfund payable	13,647
Total current liabilities	88,466
Net position	
Net investment in capital assets	150,303
Unrestricted	307,995
Total net position	$ 458,298

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2017

	Major Fund Food Service
Operating revenues:	
Local sources:	
Daily food sales-reimbursable programs	$ 333,809
Daily food sales-non-reimbursable programs	351,284
Special event income	27,933
Miscellaneous income	41,972
Total operating revenues	754,998
Operating expenses:	
Salaries	418,490
Employee benefits	53,536
Other purchased services	31,191
Supplies and materials	39,040
Depreciation	41,207
Cost of sales- non-program revenues	133,488
Cost of sales- program revenues	241,731
Management and administrative fees	63,413
Miscellaneous	7,389
Total operating expenses	1,029,485
Operating loss	(274,487)
Nonoperating revenues:	
State sources:	
State school lunch program	7,265
Federal sources:	
National school breakfast program	30,122
National school lunch program	217,999
Food donation program	56,616
Interest	1,731
Total nonoperating revenues	313,733
Change in net position	39,246
Total net position-beginning	419,052
Total net position-ending	$ 458,298

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
ENTERPRISE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

		Major Fund Food Service
Cash flows from operating activities		
Receipts from customers	$	763,628
Payments to employees		(418,490)
Payments for employee benefits		(53,536)
Payments to suppliers		(495,084)
Net cash used in operating activities		(203,482)
Cash flows from noncapital financing activities		
Cash received from state and federal reimbursements		253,071
Receipts from food donation program		56,711
Net cash provided by noncapital financing activities		309,782
Cash flows from capital and related financing activities		
Acquisition of capital assets		(20,300)
Net cash used in capital and related financing activities		(20,300)
Cash flows from investing activities		
Interest received		1,731
Net cash provided by investing activities		1,731
Net increase in cash and cash equivalents		87,731
Cash and cash equivalents, beginning of year		267,076
Cash and cash equivalents, end of year	$	354,807
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(274,487)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		41,207
Change in assets and liabilities:		
Increase in accounts receivable		(1,965)
Increase in inventory		(2,203)
Increase in accounts payable		9,724
Increase in interfund payable		13,647
Increase in unearned revenue		10,595
Net cash used in operating activities	$	(203,482)

Noncash noncapital financing activities:

The District received $56,711 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2017.

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Private-Purpose Scholarship Funds	Unemployment Compensation Trust	Agency Funds
Assets			
Cash and cash equivalents	$ 20,550	$ 510,669	$ 1,319,333
Total assets	20,550	510,669	$ 1,319,333
Liabilities			
Accounts payable		13,943	
Payroll deductions and withholdings payable			$ 500,900
Summer savings payable			334,000
Due to student groups			484,433
Total liabilities		13,943	$ 1,319,333
Net Position			
Held in trust for scholarships	$ 20,550		
Held in trust for unemployment claims and other purposes		$ 496,726	

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Private-Purpose Scholarship Fund	Unemployment Compensation Trust
Additions		
Contributions:		
Plan member contributions		$ 72,401
Total contributions		72,401
Investment earnings:		
Interest	$ 142	2,910
Total additions	142	75,311
Deductions		
Unemployment benefit payments		105,340
Scholarship payments	5,000	
Total deductions	5,000	105,340
Change in net position	(4,858)	(30,029)
Net position-beginning	25,408	526,755
Net position-ending	$ 20,550	$ 496,726

See accompanying notes to the basic financial statements.

PRINCETON PUBLIC SCHOOLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

The financial statements of the Board of Education (the "Board") of Princeton Public Schools (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 disclosed below:

A. Reporting Entity

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 Princeton Public Schools in Princeton, 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.

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. For the most part, the effect of interfund activity has been removed from these statements. 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.

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

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 the major individual enterprise fund are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency of reporting 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 revenue 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, certain legal settlements and capital leases, are recorded only when payment is due.

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.

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 noninstructional 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.

1. Summary of Significant Accounting Policies (continued)

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 from temporary notes or serial bonds and state aid that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund: The debt service fund 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 fund:

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

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation trust fund, private-purpose scholarship trust funds and agency funds. 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.

Trust Funds: The unemployment compensation and private-purpose scholarship funds are accounted for in essentially the same manner as governmental funds. The unemployment compensation fund is used to account for contributions from 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 interfund 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.

1. Summary of Significant Accounting Policies (continued)

Enterprise funds distinguish operating revenues 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's enterprise funds are charges for sales of food and program fees. 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 sheets and statement of net position. Unearned revenue 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 sheets 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 voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

The County Board of Taxation is responsible for the assessment of properties and the Township Tax Collector is 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. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the annual School Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting 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. All budget amendments must be approved by School Board resolution and certain others require approval by the County Superintendent of Schools. Budgetary transfers were made during the current year in accordance with statutory guidelines. The amendments made by the District were part of the normal course of operations.

The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

1. Summary of Significant Accounting Policies (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition in the general fund of the last two state aid payments for budgetary purposes and the treatment of encumbrances in 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, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at fair value in accordance with the Governmental Accounting Standards Board (GASB). 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.

F. Interfund Receivables/Payables

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

G. Inventories

Inventories that benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

The food service enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2017, the unused Food Donation Program commodities of $1,980 are reported as unearned revenue in the Enterprise Fund.

H. Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings and building improvements and machinery 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 performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation.

1. Summary of Significant Accounting Policies (continued)

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.

Capital assets, being depreciated, of the District are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

	Years
Land improvements	20
Buildings and building improvements	25-50
Machinery and equipment	5-20
Vehicles	5-10
Computer software	5

I. Accrued Salaries and Wages

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2017, the amount earned by these employees but not disbursed was $334,000 and is included in liabilities – summer savings payable in the fiduciary fund.

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 periods 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 does not have any items that qualify for reporting in this category.

K. Compensated Absences

A liability for compensated absences that is attributable to services already rendered and that is 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 earn vacation and sick leave in varying amounts under the District's existing collective bargaining agreements. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service.

1. Summary of Significant Accounting Policies (continued)

The liability for vested compensated absences of the District is recorded in the government-wide financial statements amounted to $5,524,507 at June 30, 2017. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Deferred Loss on Defeasance of Debt

Deferred loss on defeasance of debt arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. As of June 30, 2017, the District has recorded an unamortized balance of $888,456 as a deferred outflow of resources. Amortization expense for the year ended June 30, 2017 was $177,690.

M. Unearned Revenue

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. Unearned revenue in the food service enterprise fund represents unused food donation commodities and student deposits made for the use of purchasing food in a future period.

1. Summary of Significant Accounting Policies (continued)

N. Long-Term Obligations

In the government-wide financial statements, and enterprise fund 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 premium or discount.

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.

O. 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 in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.

1. Summary of Significant Accounting Policies (continued)

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. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
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 $8,486,189 of fund balance in the General Fund, $2,274,167 has been restricted in the capital reserve account, $193,609 has been restricted for excess surplus-current year, $711,742 of prior year excess surplus has been restricted for subsequent year's expenditures, $257,362 of encumbrances is assigned to other purposes, $2,888,589 has been classified as assigned fund balance designated for subsequent year's expenditures, $1,122 is designated for subsequent year – ARRA SEMI, and $2,159,598 is unassigned. The Capital Projects Fund fund balance is $1,360,096, which is restricted for capital projects.

P. 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 fund balance of the general fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The District has excess fund balance generated during the 2017 fiscal year in the amount of $193,609, which will be designated and appropriated in the 2018-19 budget.

Q. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities 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 and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

1. Summary of Significant Accounting Policies (continued)

R. 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.

S. On-Behalf Payments

Revenues and expenditures of the general fund include payments made or reimbursed by the State of New Jersey for social security and post-retirement pension and medical 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 $15,266,551 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.

T. GASB Pronouncements

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 77, *Tax Abatement Disclosures* in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. As the District is not a taxing government, the Statement did not result in a change in the District's assets, revenues or fund balance. However, certain required disclosures were included in Note 19.

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of the Statement on the financial statements.

U. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2017 and October 18, 2017, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

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 and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

The details of this $33,568,025 difference are as follows:

Bonds payable	$ 27,000,000
Unamortized premium on bonds	1,043,518
Compensated absences	5,524,507
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	$ 33,568,025

3. Deposits and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

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.

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.

3. Deposits and Investments (continued)

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 the District's deposits and investments are exposed to custodial credit risk.

At June 30, 2017, the District's carrying value of its deposits was $10,660,782 and the bank balance was $12,063,436. Based on levels of risk, $250,000 of the District's cash deposits on June 30, 2017 were secured by federal depository insurance and $10,909,929 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA). $903,508 held in the District's 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 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. 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 financial institutions, 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.

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.

3. Deposits and Investments (continued)

Custodial Credit Risk: The District does not have a policy for custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution.

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.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2017, the District had no investments.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The District did not have any funds held as investments during the year ended June 30, 2017.

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2017:

	Beginning Balance	Increases	Reclasses	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	$ 195,190			$ 195,190
Construction in progress	176,708	$ 70,245	$(172,692)	74,261
Total capital assets, not being depreciated	371,898	70,245	(172,692)	269,451
Capital assets, being depreciated				
Land improvements	596,300			596,300
Buildings and building improvements	118,401,947	1,305,401	99,995	119,807,343
Machinery, equipment, and vehicles	6,696,535	397,917	72,697	7,167,149
Total capital assets being depreciated	125,694,782	1,703,318	172,692	127,570,792
Less accumulated depreciation for:				
Land improvements	596,300			596,300
Buildings and building improvements	32.339,114	3,083,225		35,422,339
Machinery, equipment, and vehicles	4,645,614	513,146		5,158,760
Total accumulated depreciation	37,581,028	3,596,371		41,177,399
Total capital assets being depreciated, net	88,113,754	(1,893,053)	172,692	86,393,393
Governmental activities capital assets, net	$ 88,485,652	$(1,822,808)	$ -	$86,662,844

4. Capital Assets (continued)

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

Instruction	$ 2,154,811
Attendance/social work	13,659
Health services	45,641
Other support services	400,817
Improvement of instruction	12,766
Other support – instructional staff	71,103
School library	105,886
General administration	52,260
School administration	152,208
Central services	66,465
Information technology	5,700
Required maintenance of plant services	68,406
Operation of plant	281,302
Student transportation	165,347
	$ 3,596,371

The following is a summary of business-type activities changes in capital assets for the year ended June 30, 2017.

	Beginning Balance	Increases	Ending Balance
Business-type activities			
Capital assets, being depreciated:			
Equipment	$ 850,978	$ 20,300	$ 871,278
Less accumulated depreciation for:			
Equipment	679,768	41,207	720,975
Total business-type activities capital assets, net	$ 171,210	$ (20,907)	$ 150,303

5. Long-Term Liabilities

Bonds Payable

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

Bonds payable at June 30, 2017 are comprised of the following issues:

5. Long-Term Liabilities (continued)

$40,165,000, 2009 refunding bonds, due in annual installments ranging from $3,690,000 to $4,360,000 through February 1, 2022 at interest rates ranging from 4.00% to 4.75%. These bonds were issued to provide resources to refund a portion of the District's outstanding debt. As of June 30, 2017, $20,090,000 of this debt remains outstanding.

$10,980,000, 2013 school improvement bonds, due in annual installments ranging from $1,080,000 to $1,225,000 through February 1, 2023 at interest rates ranging from 1.25% to 2.00%. These bonds were issued to finance the school facilities project approved in September 2012. As of June 30, 2017, $6,910,000 of this debt remains outstanding.

Principal and interest due on all serial bonds outstanding are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2018	$ 4,770,000	$ 961,650	$ 5,731,650
2019	4,955,000	800,550	5,755,550
2020	5,150,000	632,875	5,782,875
2021	5,345,000	458,088	5,803,088
2022	5,555,000	252,512	5,807,512
2023	1,225,000	24,500	1,249,500
	$ 27,000,000	$ 3,130,175	$ 30,130,175

Bonds Authorized But Not Issued

As of June 30, 2017, the District had no authorized but not issued bonds.

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable	$ 31,635,000		$ 4,635,000	$ 27,000,000	$ 4,770,000
Premium on bonds	1,249,622		206,104	1,043,518	206,104
Compensated absences	5,544,340	$ 218,863	238,696	5,524,507	238,265
Subtotal	38,428,962	218,863	5,079,800	33,568,025	5,214,369
Net pension liability	27,491,446	12,856,111		40,347,557	
Total governmental activity long-term liabilities	$ 65,920,408	$ 13,074,974	$ 5,079,800	$ 73,915,482	$ 5,214,369

Compensated absences and the net pension liability are liquidated by expenditures charged to the general fund. Bonds payable are liquidated by expenditures charged to the debt service fund.

6. Pension Plans

Description of Systems

Substantially all of the Board'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 Board 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 $1/55^{th}$ 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 $1/60^{th}$ 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 $1/55^{th}$ 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 $1/60^{th}$ 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.

6. Pension Plans (continued)

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 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 District is a non-contributing employer of the TPAF.

During the year ended June 30, 2017, the State of New Jersey contributed $6,428,046 to the TPAF for post-retirement medical benefits, disability insurance and pensions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District $2,419,735 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the Government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for the years ended June 30, 2017, 2016 and 2015 were $1,210,252, $1,052,890, and $989,595, 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, 2017, the District reported a liability of $40,347,557 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.1362304658 percent, which was an increase of 0.0137632039 from its proportion measured as of June 30, 2015.

6. Pension Plans (continued)

For the year ended June 30, 2017, the District recognized full accrual pension expense of $4,628,038 in the government-wide financial statements. At June 30, 2017, the District reported deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 750,342
Changes of assumptions	8,357,859
Net difference between projected and actual earnings on pension plan investments	1,538,489
Changes in proportion and differences between District contributions and proportionate share of contribution	3,246,568
District contributions subsequent to the measurement date	1,210,252
	$ 15,103,510

$1,210,252 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:	
2018	$ 3,172,878
2019	3,172,881
2020	3,507,721
2021	2,977,721
2022	1,062,057
	$ 13,893,258

Additional Information

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.65%

6. Pension Plans (continued)

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

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 formers 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the 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, 2016 are summarized in the following table:

6. Pension Plans (continued)

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

Discount rate

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

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, 2016 calculated using the discount rate as disclosed on the previous page as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

6. Pension Plans (continued)

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
State's proportionate share of the net pension liability associated with the District	$ 49,441,222	$ 40,347,557	$ 32,839,948

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, 2016 are as follows:

Deferred outflows of resources	$ 8,685,338,380
Deferred inflows of resources	$ 870,133,595
Net pension liability	$ 29,617,131,759
District's Proportion	0.1362304658%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is $2,830,763,540.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.57 years and 5.72 years for the measurement period ended June 30, 2015.

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2016 was $249,808,990. The District's proportionate share was $0.

6. Pension Plans (continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the State's proportionate share of the TPAF net pension liability associated with the District was 0.3175550101 percent, which was a decrease of 0.0019318683 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of $18,769,670 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	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

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, 2015 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage by adding expected inflation.

6. Pension Plans (continued)

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.19%
Emerging Market Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	100.00%	

Discount Rate

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

6. Pension Plans (continued)

bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2016 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's proportionate share of the net pension liability associated with the District	$ 298,327,760	$ 249,808,990	$ 210,187,153

Pension plan fiduciary net position

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

Additional Information

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

Deferred outflows of resources	$	17,440,003,201
Deferred inflows of resources	$	195,027,919
Net pension liability	$	78,666,367,052
State's proportionate share associated with the District		0.3175550101%

Collective pension expense-Local Group for the plan for the measurement period ended June 30, 2016 is $5,915,082,656.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 8.3 years.

7. Post-Retirement Benefits

Plan Description

The School District contributes to the New Jersey State Health Benefits Program (the "SHBP"), a cost-sharing 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.

Funding Policy

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the state contributed $1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

$321.1 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016. The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2017, 2016 and 2015 were $2,918,896, $3,027,379, and $2,742,031, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance

The District participates in the Burlington County Joint Insurance Fund for its insurance coverage for property, liability, student accident and other types of liabilities and does not retain risk of loss. Under the JIF, the District is assessed an annual premium. A complete schedule of insurance coverage 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 coverages 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.

9. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the District and various insurance companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan.

10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2017 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 257,505	
Capital Projects Fund		$ 243,858
Debt Service Fund	239,972	239,972
Food Service Enterpise Fund		13,647
	$ 497,477	$ 497,477

10. Interfund Receivables and Payables (continued)

The interfunds between the capital projects fund, general fund and debt service fund represent interest earned on investments in the capital projects fund that were transferred to the general fund and debt service fund, as required by statute and completed capital projects transferred back to the original funding sources. The interfund between the food service enterprise fund and the general fund relates to the covering of repairs to food service equipment by the general fund. All interfunds are expected to be repaid within one year.

11. Economic Dependency

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

12. 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, 2017 may be impaired. In addition, the District received funding from the New Jersey Schools Development Authority (NJSDA), in connection with certain approved projects. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required.

In the opinion of the District, 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.

13. Capital Reserve Account

A capital reserve account was established by the District by inclusion of $1,275,000 in June 2002 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 – item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 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.

13. Capital Reserve Account (continued)

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance July 1, 2016	$ 2,222,937
Withdrawals:	
Capital Outlay – Budgeted Withdrawal	(370,000)
Deposits:	
Unspent capital outlay funds not utilized in 2016-17	35,483
Interest earned on capital reserve funds	37,747
Deposit into Capital Reserve (June 2017 Board Resolution)	348,000
Ending balance, June 30, 2017	$ 2,274,167

Of the balance of $2,274,167 at June 30, 2017, $1,000,000 has been appropriated in the 2017-18 approved budget. The balance in the capital reserve does not exceed the LRFP balance of local support costs of uncompleted capital projects at June 30, 2017.

14. Deficit Fund Balances

The District has a deficit fund balance of $4,950 in the Special Revenue Fund as of June 30, 2017 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditures asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payments on the GAAP financial statements until the year the State records the payable.

15. Transfers

The following presents a reconciliation of transfers during the 2017 fiscal year:

	Transfers In	Transfers Out
General Fund	$ 3,886	
Capital Projects Fund		$ 243,858
Debt Service Fund	239,972	
Food Service Enterprise Fund		13,647
	$ 257,505	$ 257,505

15. Transfers (continued)

The transfer out of the general fund relates to the amount of local funds that were transferred to the capital projects fund for capital projects that were partially funded by New Jersey Schools Development Authority grants. The transfer out of capital projects fund to the general fund relates to a transfer of interest in the amount of $3,886. $239,972 of the transfer out of the capital projects fund to the debt service fund relates to a portion of fund balance remaining from a completed project (the remaining balance will be transferred over a 3 year period, as allowable to debt service fund). The remaining $13,647 transferred in the general fund from the food service enterprise fund is related to the repairs for food service equipment paid by the general fund. The District is not permitted to spend the interest earned on capital projects, but the District may use the interest to pay down the debt or use for general fund purposes.

16. Restricted Assets

The funds set aside for the capital reserve are classified as restricted assets (cash and cash equivalents) as they are restricted for use for future capital requirements.

17. Commitments

The District also has contracts with several vendors for goods and services that have not been received as of June 30, 2017. These encumbrances, in the amount of $257,362 are recorded as assigned to other purposes on the general fund balance sheet.

18. Net Position - Net Investment in Capital Assets

Net investment in capital assets, Governmental Activities, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. The net investment in capital assets of $59,712,054 indicated as part of the Governmental Activities net position is calculated as follows:

Capital assets, net of depreciation	$ 86,662,844
Bonds payable (used to build or acquire capital assets)	(26,795,728)
Deferred loss on defeasance of debt	888,456
Unamortized deferred premium	(1,043,518)
Total net investment in capital assets	$ 59,712,054

19. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. 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.

19. Tax Abatements (continued)

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 Municipality of Princeton 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 Municipality of Princeton are for affordable housing projects and other permitted purposes. Taxes abated include municipal, local school and county taxes.

The Municipality of Princeton recognized revenue of $1,454,581 from the annual service charge in lieu of payment of taxes in 2016 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to $5,863,900, based upon the assessed valuations of the long-term tax exemptions properties. A portion of the $4,409,319 abatement would have been allocated to the District.

20. Legal Settlement-Special Item

The District received a legal settlement during the current fiscal year in the amount of $125,000, which has been recorded as a special item in the capital projects fund.

PRINCETON PUBLIC SCHOOLS

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	0.1131855499%	0.1200403097%	0.1224672619%	0.1362304658%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	N/A	$ 21,632,007	$ 22,474,829	$ 27,491,446	$ 40,347,557
District's covered-employee payroll	$ 6,932,474	$ 7,642,663	$ 8,327,261	$ 8,321,725	$ 7,612,134	$ 7,555,725	$ 7,927,404	$ 8,239,488	$ 9,157,896	$ 8,864,968
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	272.88%	272.77%	300.19%	455.13%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	48.72%	52.08%	47.93%	40.14%

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.
The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

PRINCETON PUBLIC SCHOOLS

SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	$ 421,582	$ 712,982	$ 954,454	$ 996,498	$ 858,227	$ 852,830	$ 989,595	$ 1,052,890	$ 1,210,252	$ 1,210,252
Contributions in relation to the contractually required contribution	(421,582)	(712,982)	(954,454)	(996,498)	(858,227)	(852,830)	(989,595)	(1,052,890)	(1,210,252)	(1,210,252)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 7,642,663	$ 8,327,261	$ 8,321,725	$ 7,612,134	$ 7,555,725	$ 7,927,404	$ 8,239,488	$ 9,157,896	$ 8,864,968	$ 9,192,234
Contributions as a percentage of covered-employee payroll	5.52%	8.56%	11.47%	13.09%	11.36%	10.76%	12.01%	11.50%	13.65%	13.17%

PRINCETON PUBLIC SCHOOLS

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
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.3126860786%	0.3194868784%	0.3175550101%
District's proportionate share of the net pension liability (asset)	$ -	$ -	$ -
State's proportionate share of the net pension liability (asset) associated with the District	$ 167,120,532	$ 201,929,350	$ 249,808,990
Total proportionate share of the net pension liability (asset) associated with the District	$ 167,120,532	$ 201,929,350	$ 249,808,990
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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.

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.
The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016.

BOARD OF EDUCATION
PRINCETON PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 70,148,719		$ 70,148,719	$ 70,148,719	
Tuition	5,144,980		5,144,980	5,150,332	$ 5,352
Hazardous Routes	175,729		175,729	170,061	(5,668)
Interest Earned on Investments	78,702		78,702	72,275	(6,427)
Miscellaneous	344,500		344,500	457,106	112,606
Total - Local Sources	75,892,630		75,892,630	75,998,493	105,863
State Sources:					
Categorical Special Education Aid	2,140,906		2,140,906	2,140,906	
Transportation Aid	845,567		845,567	845,567	
Security Aid	300,916		300,916	300,916	
Adjustment Aid	107,606		107,606	107,606	
PARCC Readiness Aid	34,020		34,020	34,020	
Per Pupil Growth Aid	34,020		34,020	34,020	
Aid for Adult & Post-Grad Programs	35,810		35,810	35,810	
Non-Public Transportation Aid				44,892	44,892
Extraordinary Aid	460,000		460,000	1,238,062	778,062
TPAF Pension (On-Behalf - Non-Budgeted)				3,503,119	3,503,119
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				2,918,896	2,918,896
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				6,031	6,031
TPAF Social Security (Reimbursed - Non-Budgeted)				2,419,735	2,419,735
Total State Sources	3,958,845		3,958,845	13,629,580	9,670,735
Federal Sources:					
Medical Assistance Program	38,427		38,427	3,730	(34,697)
Total - Federal Sources	38,427		38,427	3,730	(34,697)
Total Revenues	79,889,902		79,889,902	89,631,803	9,741,901
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool - Salaries of Teachers	109,620	$ 2,208	111,828	111,828	
Kindergarten - Salaries of Teachers	835,004	116,309	951,313	951,310	3
Grades 1-5 - Salaries of Teachers	7,171,984	(89,361)	7,082,623	7,042,009	40,614
Grades 6-8 - Salaries of Teachers	3,816,054	64,473	3,880,527	3,880,523	4
Grades 9-12 - Salaries of Teachers	8,989,512	(28,803)	8,960,709	8,949,772	10,937
Regular Programs - Home Instruction					
Salaries of Teachers	45,000		45,000	30,915	14,085
Purchased Professional-Educational Services	45,000		45,000	32,126	12,874
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	1,099,499	(320,551)	778,948	756,060	22,888
Purchased Professional-Educational Services	210,262	(200)	210,062	163,862	46,200
Purchased Technical Services		8,900	8,900	8,900	
Other Purchased Services	314,288	(33,686)	280,602	230,677	49,925
General Supplies	1,217,934	33,307	1,251,241	1,196,360	54,881
Textbooks	222,714	(80,863)	141,851	122,547	19,304
Other Objects	143,478	46,762	190,240	171,142	19,098
TOTAL REGULAR PROGRAMS - INSTRUCTION	24,220,349	(281,505)	23,938,844	23,648,031	290,813
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities					
Salaries of Teachers	237,728	48,325	286,053	280,315	5,738
Other Salaries for Instruction	131,390	(20,185)	111,205	109,412	1,793
General Supplies	1,475	(686)	789	789	
Other Objects	875	(750)	125		125
Total Learning and/or Language Disabilities	371,468	26,704	398,172	390,516	7,656
Behavioral Disabilities					
Salaries of Teachers	54,999		54,999	54,999	
Total Behavioral Disabilities	54,999		54,999	54,999	

BOARD OF EDUCATION
PRINCETON PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center					
Salaries of Teachers	$ 3,167,655	$ 97,724	$ 3,265,379	$ 3,247,944	$ 17,435
Other Salaries for Instruction	1,288,473	136,557	1,425,030	1,381,714	43,316
General Supplies	38,250	(19,497)	18,753	17,272	1,481
Textbooks	1,000	(987)	13		13
Total Resource Room/Resource Center	4,495,378	213,797	4,709,175	4,646,930	62,245
Autism:					
Salaries of Teachers	538,762	(9,817)	528,945	522,201	6,744
Other Salaries for Instruction	742,102	30,132	772,234	770,712	1,522
General Supplies	9,652	(2,542)	7,110	3,828	3,282
Other Objects	2,875	(1,014)	1,861	1,127	734
Total Autism	1,293,391	16,759	1,310,150	1,297,868	12,282
Preschool Disabilities - Part-Time					
General Supplies		1,014	1,014	1,014	
Total Preschool Disabilities - Part-Time		1,014	1,014	1,014	
Preschool Disabilities - Full-Time					
Salaries of Teachers	302,388	1,406	303,794	303,793	1
Other Salaries for Instruction	207,050	18,955	226,005	226,005	
General Supplies	5,900	(5,900)			
Total Preschool Disabilities - Full-Time	515,338	14,461	529,799	529,798	1
TOTAL SPECIAL EDUCATION - INSTRUCTION	6,730,574	272,735	7,003,309	6,921,125	82,184
Basic Skills/Remedial - Instruction					
Salaries of Teachers	1,148,677	26,962	1,175,639	1,175,195	444
Other Salaries for Instruction	80,828	7,260	88,088	72,570	15,518
Total Basic Skills/Remedial - Instruction	1,229,505	34,222	1,263,727	1,247,765	15,962
Bilingual Education - Instruction					
Salaries of Teachers	779,348	(66,512)	712,836	712,836	
Other Salaries for Instruction	130,362	(11,000)	119,362	119,361	1
General Supplies	1,441	(600)	841	688	153
Textbooks	1,190		1,190	1,187	3
Total Bilingual Education - Instruction	912,341	(78,112)	834,229	834,072	157
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	264,356		264,356	249,432	14,924
Purchased Services	5,000		5,000	5,000	
Supplies and Materials	9,217		9,217	6,655	2,562
Other Objects	5,940	41	5,981	5,843	138
Total School-Spon. Cocurricular Actvts. - Inst.	284,513	41	284,554	266,930	17,624
School-Spon. Athletics					
Salaries	908,867	(59,092)	849,775	797,018	52,757
Purchased Services	126,211	971	127,182	104,637	22,545
Supplies and Materials	82,466	6,313	88,779	86,324	2,455
Other Objects	24,855	(1,332)	23,523	19,156	4,367
Total School-Spon. Athletics	1,142,399	(53,140)	1,089,259	1,007,135	82,124
Behavioral Disabilities					
Salaries of Reading Specialists	73,645		73,645	73,645	
Total Behavioral Disabilities	73,645		73,645	73,645	
TOTAL INSTRUCTION	34,593,326	(105,759)	34,487,567	33,998,703	488,864

BOARD OF EDUCATION
PRINCETON PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction					
Tuition to County Voc. School Dist. - Regular	$ 201,520	$ (83,020)	$ 118,500	$ 104,490	$ 14,010
Tuition to CSSD & Regional Day Schools	950,000	(185,807)	764,193	677,902	86,291
Tuition to Private Schools for the Disabled - Within State	1,519,651	(29,841)	1,489,810	1,390,951	98,859
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	272,341		272,341	179,008	93,333
Tuition - Other	266,660	(8,000)	258,660	242,400	16,260
Total Undistributed Expenditures - Instruction	3,210,172	(306,668)	2,903,504	2,594,751	308,753
Undistributed Expend. - Attend. & Social Work					
Salaries	203,136	39,685	242,821	240,820	2,001
Other Purchased Services	1,600	(85)	1,515	1,111	404
Total Undistributed Expend. - Attend. & Social Work	204,736	39,600	244,336	241,931	2,405
Undist. Expend. - Health Services					
Salaries	682,188	75,360	757,548	756,418	1,130
Purchased Professional and Technical Services	37,000	(10,900)	26,100	23,800	2,300
Supplies and Materials	29,163	(854)	28,309	28,183	126
Total Undistributed Expenditures - Health Services	748,351	63,606	811,957	808,401	3,556
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	1,101,596	22,131	1,123,727	1,123,692	35
Purchased Professional - Educational Services		21,900	21,900	21,900	
Supplies and Materials	18,908	(15,676)	3,232	3,157	75
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	1,120,504	28,355	1,148,859	1,148,749	110
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	103,086		103,086	103,086	
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	103,086		103,086	103,086	
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	1,415,698	38,658	1,454,356	1,454,039	317
Salaries of Secretarial and Clerical Assistants	225,739	(1,058)	224,681	224,678	3
Other Salaries	29,950	2,602	32,552	32,551	1
Other Purchased Services	5,375	(1,295)	4,080	3,199	881
Supplies and Materials	9,909	595	10,504	8,098	2,406
Other Objects	1,105	(400)	705	510	195
Total Undist. Expend. - Guidance	1,687,776	39,102	1,726,878	1,723,075	3,803
Undist. Expend. - Child Study Team					
Salaries of Other Professional Staff	1,885,113	35,026	1,920,139	1,910,420	9,719
Salaries of Secretarial and Clerical Assistants	161,223	1	161,224	161,224	
Other Salaries	186,287	63,769	250,056	210,183	39,873
Purchased Prof. - Educational Services	689,825	299,157	988,982	812,177	176,805
Residential Costs	132,252	(122,917)	9,335	8,961	374
Miscellaneous Purchased Services	35,397	(10,548)	24,849	21,505	3,344
Supplies and Materials	63,414	12,250	75,664	69,851	5,813
Other Objects	2,000		2,000	429	1,571
Total Undist. Expend. - Child Study Team	3,155,511	276,738	3,432,249	3,194,750	237,499
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	88,202	(1,281)	86,921	86,921	
Other Salaries	131,527	(27,125)	104,402	104,402	
Other Purchased Services	14,300	1,895	16,195	3,787	12,408
General Supplies	9,887		9,887	6,938	2,949
Other Objects	24,405		24,405	24,072	333
Total Undist. Expend. - Improvement of Inst. Serv.	268,321	(26,511)	241,810	226,120	15,690

BOARD OF EDUCATION
PRINCETON PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	$ 1,354,743	$ 7,579	$ 1,362,322	$ 1,362,317	$ 5
Unused Vacation Payment to Term/Ret Staff		20,160	20,160	20,160	
Purchased Professional & Technical Services	64,000	164	64,164	63,158	1,006
Other Purchased Services	134,500	(32,658)	101,842	95,126	6,716
Supplies and Materials	331,819	8,819	340,638	334,394	6,244
Other Objects		317	317	317	
Total Undist. Expend. - Edu. Media Serv./Sch. Library	1,885,062	4,381	1,889,443	1,875,472	13,971
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors of Instruction	1,025,602	5,894	1,031,496	1,030,566	930
Salaries - Other Professional Staff	105,978	173	106,151	106,151	
Salaries - Secretaries and Clerical Assistants	124,033	(4,155)	119,878	119,878	
Total Undist. Expend. - Instructional Staff Training Serv.	1,255,613	1,912	1,257,525	1,256,595	930
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries - Supervisor of Instruction	427,158	29,104	456,262	455,949	313
Legal Services	176,000	30,293	206,293	184,381	21,912
Audit Fees	84,000	(4,501)	79,499	79,185	314
Other Purchased Professional Services	11,000	4,225	15,225	15,225	
Communications/Telephone	100,000	(10,272)	89,728	86,110	3,618
Board of Education Other Purchased Services	1,000	(442)	558		558
Other Purchased Services	32,430	(1,155)	31,275	28,776	2,499
General Supplies	79,561	(34,648)	44,913	41,811	3,102
Miscellaneous Expenditures	10,000		10,000	7,542	2,458
Board of Education Dues and Fees	33,000	(6,000)	27,000	26,663	337
Total Undist. Expend. - Supp. Serv. - General Admin.	954,149	6,604	960,753	925,642	35,111
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	1,665,376	68,657	1,734,033	1,734,030	3
Salaries of Secretarial and Clerical Assistants	798,978	(54,737)	744,241	744,218	23
Other Salaries	6,975	3,226	10,201	8,225	1,976
Unused Vacation Payment to Term/Ret Staff		85,767	85,767	82,333	3,434
Other Purchased Services	57,734	(29,993)	27,741	25,187	2,554
Supplies and Materials	73,219	(4,259)	68,960	57,973	10,987
Other Objects	49,430	1,720	51,150	43,964	7,186
Total Undist. Expend. - Support Serv. - School Admin.	2,651,712	70,381	2,722,093	2,695,930	26,163
Undist. Expend. - Central Services					
Salaries	917,484	67,620	985,104	977,748	7,356
Unused Vacation Payment to Term/Ret Staff		1,199	1,199	1,199	
Purchased Professional Services	36,900	4,386	41,286	38,712	2,574
Purchased Technical Services	53,500	(5,153)	48,347	37,754	10,593
Miscellaneous Purchased Services	73,650	12,001	85,651	72,311	13,340
Supplies and Materials	67,490	(14,062)	53,428	34,788	18,640
Miscellaneous Expenditures	7,570	(1,400)	6,170	3,179	2,991
Total Undist. Expend. - Central Services	1,156,594	64,591	1,221,185	1,165,691	55,494
Undist. Expend. - Technology Admin.					
Salaries	100,839	118	100,957	100,957	
Total Undist.Expend. - Technology Admin.	100,839	118	100,957	100,957	
Undist. Expend. - Required Maint. for Sch. Facil.					
Salaries	512,405	68,111	580,516	576,245	4,271
Cleaning, Repair and Maintenance Services	641,821	139,759	781,580	540,371	241,209
Travel	600	(456)	144	144	
General Supplies	119,091	(25,605)	93,486	86,298	7,188
Other Objects	6,500	(23)	6,477	6,427	50
Total Undist. Expend. - Required Maint. for Sch. Facil.	1,280,417	181,786	1,462,203	1,209,485	252,718

BOARD OF EDUCATION
PRINCETON PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	$ 2,089,441	$ (66,208)	$ 2,023,233	$ 1,980,103	$ 43,130
Salaries of Non-Instructional Aides	117,751	(3,600)	114,151	96,409	17,742
Purchased Professional - Technical Services	36,705	35,514	72,219	51,617	20,602
Cleaning, Repair and Maintenance Services	77,840	(6,737)	71,103	67,043	4,060
Other Purchased Property Services	135,000	(24,114)	110,886	110,886	
Insurance	290,748	74,039	364,787	364,366	421
General Supplies	171,428	14,115	185,543	184,405	1,138
Miscellaneous Purchased Services	600	1,077	1,677	1,677	
Natural Gas	475,000	(122,109)	352,891	340,204	12,687
Electricity	1,145,000	(95,221)	1,049,779	910,101	139,678
Energy	14,000	600	14,600	13,077	1,523
Total Undist. Expend. - Custodial Services	4,553,513	(192,644)	4,360,869	4,119,888	240,981
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	304,965	1	304,966	302,090	2,876
Cleaning, Repair and Maintenance Services	20,000	(9,457)	10,543	9,022	1,521
General Supplies	30,000	5,081	35,081	32,587	2,494
Total Undist. Expend. - Care and Upkeep of Grounds	354,965	(4,375)	350,590	343,699	6,891
Undist. Expend. - Security					
Salaries	128,934		128,934	114,495	14,439
Cleaning, Repair and Maintenance Services	7,500		7,500	6,299	1,201
General Supplies	35,000		35,000	35,000	
Total Undist. Expend. - Security	171,434		171,434	155,794	15,640
Undist. Expend. - Student Transportation Serv.					
Salaries for Non-Instructional Aids	104,263	56,159	160,422	160,050	372
Salaries for Pupil Trans. (Between Home & School) - Regular	251,887	99,788	351,675	351,674	1
Salaries for Pupil Trans. (Between Home & School) - Sp. Ed.	282,534	32,983	315,517	310,399	5,118
Salaries for Pupil Trans. Other than Between Home & School	46,200	25,285	71,485	41,541	29,944
Cleaning, Repair & Maintenance Services	92,300	25,000	117,300	106,682	10,618
Lease Purchase Payments-School Buses	10,000	(7,000)	3,000	969	2,031
Contracted Services Aid In Lieu of Payment for Non-public School Students	163,000	14,000	177,000	176,048	952
Contracted Services (Between Home and School) - Vendors	960,042	(98,913)	861,129	835,201	25,928
Contracted Services (Other than Between Home and School) - Vendors	284,630	(27,090)	257,540	196,212	61,328
Contracted Services (Sp. Ed.) - Vendors	603,928	(178,600)	425,328	331,118	94,210
Contracted Services (Sp. Ed.) - Joint Agreements	300,000	(169,417)	130,583	80,943	49,640
Miscellaneous Purchased Services - Transportation	40,000	1,128	41,128	38,456	2,672
General Supplies	114,100	(42,800)	71,300	29,102	42,198
Transportation Supplies	17,500		17,500	1,662	15,838
Miscellaneous Expenditures	7,250		7,250	2,869	4,381
Total Undist. Expend. - Student Transportation Serv.	3,277,634	(269,477)	3,008,157	2,662,926	345,231
Unallocated Benefits					
Social Security Contributions	1,120,000	131,634	1,251,634	1,185,297	66,337
Other Retirement Contributions - Regular	1,192,890	50,647	1,243,537	1,233,566	9,971
Workmen's Compensation	369,252	(38,303)	330,949	330,949	
Health Benefits	10,547,755	(296,993)	10,250,762	10,016,471	234,291
Tuition Reimbursement	95,000		95,000	59,219	35,781
Other Employee Benefits	906,000		906,000	859,874	46,126
Unused Vac. Payment to Term/Ret. Staff	100,000	69,413	169,413	163,588	5,825
Total Unallocated Benefits	14,330,897	(83,602)	14,247,295	13,848,964	398,331
On-behalf TPAF Pension Contributions (non-budgeted)				3,503,119	(3,503,119)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				2,918,896	(2,918,896)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				6,031	(6,031)
Reimbursed TPAF Social Security Contributions (non-budgeted)				2,419,735	(2,419,735)
Total On-behalf Contributions				8,847,781	(8,847,781)
TOTAL UNDISTRIBUTED EXPENDITURES	42,471,286	(106,103)	42,365,183	49,249,687	(6,884,504)
TOTAL GENERAL CURRENT EXPENSE	77,064,612	(211,862)	76,852,750	83,248,390	(6,395,640)

BOARD OF EDUCATION
PRINCETON PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs-Instruction:					
Grades 1-5	$ 4,000		$ 4,000	$ 3,920	$ 80
Grades 6-8		$ 18,503	18,503	18,503	
Grades 9-12		7,434	7,434	7,434	
Special Education-Instruction:					
School- Spons. & Other Instruction Program		12,950	12,950	12,750	200
Undistributed Expenditures:					
Support Services - Students-Reg.	25,000	(9,516)	15,484	6,710	8,774
Support Services - Students-Spec.		16,492	16,492	16,492	
Support Services - Instructional Staff		2,796	2,796	2,796	
Central Services		11,540	11,540	11,539	1
Undistributed Exp.-Req. Maint. of School Facilities		15,626	15,626	2,126	13,500
Undistributed Exp.-Care and Upkeep of Grounds	39,500	51,790	91,290	91,289	1
Undistributed Exp.-Non-Instructional Services					
School buses-regular		272,000	272,000	265,728	6,272
Total Equipment	68,500	399,615	468,115	439,287	28,828
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	85,000		85,000	22,272	62,728
Construction Services		285,000	285,000	249,517	35,483
Other Objects - Debt Service Assessment	239,765		239,765	239,765	
Total Facilities Acquisition and Construction Services	324,765	285,000	609,765	511,554	98,211
TOTAL CAPITAL OUTLAY	393,265	684,615	1,077,880	950,841	127,039
Contribution to Charter Schools	5,050,122	(87,510)	4,962,612	4,745,777	216,835
TOTAL EXPENDITURES	82,507,999	385,243	82,893,242	88,945,008	(6,051,766)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(2,618,097)	(385,243)	(3,003,340)	686,795	3,690,135
Other Financing Sources (Uses):					
Transfer In				3,886	3,886
Transfer Out	(285,000)	285,000			
Total Other Financing Sources (Uses)	(285,000)	285,000		3,886	3,886
(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Sources (Uses)	(2,903,097)	(100,243)	(3,003,340)	690,681	3,694,021
Fund Balance, July 1	8,060,809		8,060,809	8,060,809	
Fund Balance, June 30	$ 5,157,712	$ (100,243)	$ 5,057,469	$ 8,751,490	$ 3,694,021
Recapitulation of (Deficiency) Excess of Revenues and Other Financing Sources (uses) (Under) Over Expenditures:					
Budgeted Fund Balance	$ (2,541,897)		$ (2,541,897)	$ 739,694	$ 3,281,591
Adjustment for Prior Year Encumbrances		$ (100,243)	(100,243)	(100,243)	
(Decrease) Increase in Capital Reserve	(361,200)		(361,200)	51,230	412,430
Total	$ (2,903,097)	$ (100,243)	$ (3,003,340)	$ 690,681	$ 3,694,021

Recapitulation of Fund Balance:	
Restricted Fund Balance:	
Excess Surplus Designated for Subsequent Year's Expenditures	$ 711,742
Excess Surplus-current year	193,609
Capital Reserve	2,274,167
Assigned to:	
Designated for Subsequent Year's Expenditures	2,888,589
Designated for Subsequent Year's Expenditures-Assigned-SEMI ARRA	1,122
Year End Encumbrances	257,362
Unassigned Fund Balance	2,424,899
	8,751,490
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:	
Final State Aid Payments Not Realized on GAAP Basis	(265,301)
Fund balance per Government Funds (GAAP)	$ 8,486,189

PRINCETON PUBLIC SCHOOLS
SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	$ 790,500	$ 96,718	$ 887,218	$ 801,043	$ (86,175)
Federal sources	1,555,000	424,434	1,979,434	1,570,572	(408,862)
Local sources		88,965	88,965	47,587	(41,378)
Total revenues	2,345,500	610,117	2,955,617	2,419,202	(536,415)
Expenditures					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	394,500	(79,767)	314,733	280,627	34,106
Purchased professional services	197,000	10,677	207,677	167,204	40,473
Other purchased services	1,043,329	(207,480)	835,849	768,644	67,205
General supplies		195,531	195,531	104,240	91,291
Textbooks	145,000	(438)	144,562	130,739	13,823
Other objects	67,000	1,178	68,178	66,652	1,526
Total instruction	1,846,829	(80,299)	1,766,530	1,518,106	248,424
Support services:					
Salaries	166,671	(84,950)	81,721	77,238	4,483
Personal services--employee benefits		41,732	41,732	38,806	2,926
Purchased professional services	260,000	536,212	796,212	574,644	221,568
Other purchased professional services		55,662	55,662	33,835	21,827
Supplies and materials		55,562	55,562	24,424	31,138
Other objects	72,000	86,198	158,198	152,149	6,049
Total support services	498,671	690,416	1,189,087	901,096	287,991
Total expenditures	2,345,500	610,117	2,955,617	2,419,202	536,415
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -

PRINCETON PUBLIC SCHOOLS
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

BUDGET TO GAAP RECONCILIATION

YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	$ 89,631,803	$ 2,419,202
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		39,930
Current year		(22,450)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	252,769	4,950
Current year	(265,301)	(4,950)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	$ 89,619,271	$ 2,436,682
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	$ 88,945,008	$ 2,419,202
Differences - Budgetary to GAAP:		
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		39,930
Current year		(22,450)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	$ 88,945,008	$ 2,436,682

APPENDIX C

FORM OF APPROVING LEGAL OPINION

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_________, 2019

The Board of Education of
Princeton in the County of
Morris, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of Princeton in the County of Mercer, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of $26,928,000 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 October 9, 2018 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on December 11, 2018 and (iii) a resolution duly adopted by the Board of Education on December 18, 2018. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

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

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. 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,