NEW ISSUE
(Book-Entry Only)

RATING: (See "RATING" herein)

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 27, 2018

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the School District (as hereinafter defined) with certain tax covenants described herein, under existing law, interest on the Refunding Bonds (as defined herein) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"),, and is not a specific item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax imposed on individuals and, *for tax years beginning prior to January 1, 2018,* corporations pursuant to Section 55 of the Code. *In the case of certain corporations that own the Refunding Bonds with tax years beginning prior to January 1, 2018, the interest thereon is not excludable in computing the alternative minimum tax as a result of the inclusion of interest on the Refunding Bonds in "adjusted current earnings". For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. In addition,* interest on the Refunding Bonds and any gain from the sale thereof are not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed. See "TAX MATTERS" herein.

$9,210,000*
THE BOARD OF EDUCATION OF THE TOWNSHIP OF GLOUCESTER IN THE COUNTY OF CAMDEN, NEW JERSEY SCHOOL REFUNDING BONDS (ESIP PROJECT), SERIES 2018
(Bank-Qualified) (Callable)

Dated: Date of Delivery

Due: July 15, as shown on inside front cover

The $9,210,000* School Refunding Bonds (ESIP Project), Series 2018 ("Refunding Bonds"), of The Board of Education of the Township of Gloucester in the County of Camden, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board), shall be issued in fully registered book-entry-only form without coupons. The principal of the Refunding Bonds shall be paid on the respective maturity dates thereof upon presentation and surrender of the Refunding Bonds at the principal corporate trust office of TD Bank, National Association, Cherry Hill, New Jersey, as registrar and paying agent ("Paying Agent"). Interest on the Refunding Bonds is payable on January 15 and July 15, commencing on July 15, 2019, in each year until maturity or earlier redemption. The Refunding Bonds are subject to redemption prior to their respective maturity dates as set forth herein.

Upon initial issuance, the Refunding Bonds 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 for the Refunding Bonds. So long as Cede & Co. is the registered owner of the Refunding Bonds, payments of the principal of and interest on the Refunding Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the Refunding Bonds. Purchasers will not receive certificates representing their ownership interest in the Refunding Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Refunding Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such Refunding Bond.

The School District is issuing the Refunding Bonds pursuant to: (i) Title 18A, Chapter 24, of the New Jersey Statutes, as amended and supplemented, N.J.S.A. 18A:24-1 et seq.; (ii) a refunding bond ordinance, duly and finally adopted by the Board on September 24, 2018; and (iii) a resolution duly adopted by the Board on September 24, 2018.

The Refunding Bonds are being issued to provide funds which will be used to: (i) finance certain energy conservation improvements at certain facilities owned by the School District (**"**ESIP Project**"**); and (ii) pay certain costs and expenses related to the issuance, sale and delivery of the Refunding Bonds.

The full faith and credit of the School District are irrevocably pledged for the payment of the principal of and interest on the Refunding Bonds. The Refunding Bonds are general obligations of the School District payable as to principal and interest from *ad valorem* taxes to be levied upon all taxable property in the School District without limitation as to rate or amount. The Refunding Bonds are also entitled to the benefits of and are secured under the provisions of the New Jersey School Bond Reserve Act, P.L. 1980 c.72, as amended.

The scheduled payment of principal of and interest on the Refunding Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Refunding Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

BAM

This cover contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices attached hereto, to obtain information essential to their making of an informed investment decision.

The Refunding Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the School District, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the School District in connection with the issuance of the Refunding Bonds. Certain legal matters will be passed upon for the School District by its Solicitor, Daniel H. Long, Esquire, of the Law Firm of Wade, Long, Wood and Long, LLC, Laurel Springs, New Jersey. It is anticipated that the Refunding Bonds in definitive form will be available for delivery through DTC in New York, New York, on or about October __, 2018.

ROOSEVELT & CROSS, INCORPORATED

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* Preliminary, subject to change.

MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS*

Year	Principal Amount*	Interest Rate	Yield	Year	Principal Amount*	Interest Rate	Yield
2019	$575,000	%	%	2029	$400,000	%	%
2020	325,000			2030	440,000		
2021	255,000			2031	475,000		
2022	305,000			2032	515,000		
2023	330,000			2033	560,000		
2024	250,000			2034	605,000		
2025	280,000			2035	650,000		
2026	305,000			2036	700,000		
2027	335,000			2037	745,000		
2028	370,000			2038	790,000		

* Preliminary, subject to change.

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
IN THE COUNTY OF CAMDEN, NEW JERSEY

Board of Education

Mary Jo Dintino	President
Mark Gallo	Vice-President
Tamara Jackson	Member
Mary Ann Johnson	Member
Susanne Reilly	Member
Deborah Simone	Member
Joseph Angeloni	Member
Jennifer O'Donnell	Member
Tracey Lynch	Member

Superintendent of Schools

John Bilodeau

School Business Administrator

Jean Grubb

Auditor

Bowman & Company LLP
Voorhees, New Jersey

Solicitor

Daniel H. Long, Esquire
Wade, Long, Wood and Long, LLC
Laurel Springs, New Jersey

Bond Counsel

Parker McCay P.A.
Mount Laurel, New Jersey

Municipal Advisor

Phoenix Advisors, LLC
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the School District or by the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Refunding Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Refunding Bonds by any person, in any jurisdiction in which it is unlawful for such offer, solicitation or sale. The information set forth herein has been obtained from the School District and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the School District since the date hereof.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by references 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 obtained from the School District during normal business hours.

Upon issuance, the Refunding Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the School District, will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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

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.

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OFFICIAL STATEMENT
Relating to

$9,210,000*
THE BOARD OF EDUCATION OF THE
TOWNSHIP OF GLOUCESTER
IN THE COUNTY OF CAMDEN, NEW JERSEY
SCHOOL REFUNDING BONDS (ESIP PROJECT), SERIES 2018
(Bank-Qualified) (Callable)

INTRODUCTION

This Official Statement, including the cover page hereof and the appendices attached hereto, sets forth certain information relating to The Board of Education of the Township of Gloucester in the County of Camden, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board) and the issuance of its $9,210,000* aggregate principal amount of School Refunding Bonds (ESIP Project), Series 2018 ("Refunding Bonds"), pursuant to a refunding bond ordinance and the resolution of the Board, each described below.

The information contained herein relating to the School District including, *inter alia*, existing facilities, enrollment and other data was furnished by the School District unless otherwise indicated.

All financial and other information presented herein has been provided by the School District 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 School District.

AUTHORIZATION FOR THE REFUNDING BONDS

The School District is issuing the Refunding Bonds pursuant to: (i) Title 18A, Chapter 24, of the New Jersey ("State") Statutes, as amended and supplemented, *N.J.S.A.* 18A:24-1 *et seq*. ("School Bond Law"); (ii) a refunding bond ordinance, duly and finally adopted by the Board on September 24, 2018 ("Refunding Bond Ordinance"); and (iii) a resolution duly adopted by the Board on September 24, 2018 ("Resolution").

The financing plan of the School District regarding the Refunding Bonds was reviewed in accordance with the School Bond Law, specifically, *N.J.S.A*. 18A:24-61 et seq., by the New Jersey Department of Community Affairs, Division of Local Government Services, Local Finance Board ("LFB"). On September 12, 2018, the LFB adopted a resolution that approved the final adoption of the Refunding Bond Ordinance, the issuance of the Refunding Bonds and the transactions described herein.

PURPOSE OF THE REFUNDING BOND ISSUE

Pursuant to *N.J.S.A*. 18A:18A-4.6 ("ESIP Law"), State school districts are permitted to install energy conservation measures, the costs of which will be paid from the energy savings and other funds that result from the implementation of such energy conservation measures. In accordance with ESIP Law, school districts must complete various procedural steps prior to financing the costs of such energy conservation measures including, but not limited to: (i) the preparation of an energy audit as a part of the New Jersey Clean Energy's Local Government Energy Audit Program; (ii) the preparation of an energy savings plan; and (iii) the verification of the energy savings plan by an independent third party.

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* Preliminary, subject to change.

The School District commissioned a State approved Energy Audit, which was completed on April 2, 2012 ("Energy Audit"). Thereafter, the School District procured the services of an energy services company to assist it with the preparation of an energy savings plan ("Plan"), based upon the results of the Energy Audit. After review of the Plan, the School District determined that the energy savings generated from the reduced energy usage detailed in the Plan sufficiently covered the cost of the implementation of the energy conservation measures, all as set forth in the Plan (collectively, the "Equipment"). Based upon the foregoing, the School District has determined to implement the Plan and to finance the Plan through the issuance of energy savings obligations authorized as refunding bonds in accordance with ESIP Law and *N.J.S.A*. 18A:24-61.1 *et seq*.

The Refunding Bonds are being issued to provide funds which will be used to: (i) finance the costs of the installation of the Equipment at certain facilities owned by the School District ("ESIP Project"), as described in the Plan; and (ii) pay certain costs and expenses related to the issuance, sale and delivery of the Refunding Bonds. As required by School District law, the payments of the principal of and interest on the Refunding Bonds will be included in the School District's general fund budget but are anticipated to be offset by the energy savings.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Refunding Bonds.

Sources of Funds:	
Principal Amount of Refunding Bonds	$
Original Issue Premium	
Total Sources of Funds	$
Uses of Funds:	
ESIP Project	$
Costs of Issuance (1)	
Underwriter's Discount	
Total Uses of Funds	$

(1) Includes legal fees, financial advisory fee, accounting fee, paying agent fee, printing costs, rating agency fee, additional proceeds and miscellaneous issuance expenses.

THE REFUNDING BONDS

General Description

The Refunding Bonds will be issued in the aggregate principal amount shown on the inside front cover page hereof, will be dated the date of delivery and will bear interest from that date. Interest on the Refunding Bonds will be payable semiannually on January 15 and July 15 ("Interest Payment Dates"), commencing July 15, 2019, in each year until maturity or earlier redemption. The Refunding Bonds will mature on July 15, in the years and in the principal amounts, all as shown on the inside front cover page of this Official Statement. The Refunding Bonds shall be subject to redemption prior to their stated maturity dates as set forth herein.

The Refunding Bonds will be issued in fully registered book-entry only form without coupons in the principal denominations of $5,000 or any integral multiple thereof. The principal of the Refunding Bonds will be payable to the registered owners at maturity upon presentation and surrender of the Refunding Bonds at the principal corporate trust office of TD Bank, National Association, Cherry Hill, New Jersey ("Paying Agent"). Interest on each Refunding Bond shall be payable on each Interest Payment Date of such Refunding Bond to the registered owner of record thereof appearing on the registration books kept by the School District for such purpose at the principal office of the Paying Agent, as of the close of business on the first (1st) day of the calendar month containing an Interest Payment Date ("Record Date").

So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee, Cede & Co., is the registered owner of the Refunding Bonds, payments of the principal of and interest on the Refunding Bonds will be made directly to Cede & Co., as nominee for DTC. Disbursements of such payments to the DTC Participants (as herein defined) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as herein defined) of the Refunding Bonds is the responsibility of the DTC Participants and not the School District or the Paying Agent. See "THE REFUNDING BONDS--Book-Entry Only System" herein.

Optional Redemption

The Refunding Bonds of this issue maturing prior to July 15, 2026 are not subject to redemption prior to their stated maturities. The Refunding Bonds of this issue maturing on and after July 15, 2026 are redeemable at the option of the Board, in whole or in part, on any date on or after July 15, 2025 at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by mailing first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every Bond of which all or a portion is to be redeemed at his or her last known address, if any, appearing on the registration books of the Board. So long as the Refunding Bonds are issued in book-entry-only form, all notices of redemption will be sent only to DTC and not be sent to the Beneficial Owners of the Refunding Bonds. Failure of an owner of the Refunding Bonds to receive such notice or of DTC to advise any Participant or any failure of a Participant to notify any Beneficial Owner of the Refunding Bonds shall not affect the validity of any proceedings for the redemption of Refunding Bonds. Such notice shall specify: (i) the series and maturity of the Refunding Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the Refunding Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the Refunding Bonds to be redeemed; (iv) in the case of a Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such Refunding Bonds or portion thereof to be redeemed shall cease to accrue and be payable.

Book-Entry Only System(1)

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Refunding Bonds, payment of principal and interest, and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Refunding Bonds and other related transactions by and

(1) Source: The Depository Trust Company

between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the School District. Accordingly, the School District does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Refunding Bonds. The Refunding 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 Refunding Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of the Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Refunding 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 School District or the Paying Agent 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 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Paying Agent, on payable date 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 is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the School District or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District 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 and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but neither the School District nor the Underwriter (as hereinafter defined) take any responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR ITS PAYING AGENT WILL 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 REFUNDING BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE REFUNDING BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE REFUNDING 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 Refunding Bonds, the following provisions would apply: (i) the Refunding Bonds may be exchanged for an equal aggregate principal amount of Refunding Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Paying Agent; (ii) the transfer of any Refunding Bonds may be registered on the books maintained by the Paying Agent for such purpose only upon the surrender thereof to the Paying Agent together with the duly executed assignment in form satisfactory to the School District and the Paying Agent; and (iii) for every exchange or registration of transfer of Refunding Bonds, the 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 Refunding Bonds. Interest on the Refunding 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.

SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING BONDS

Taxing Power

The Refunding Bonds are general obligations of the School District and the full faith and credit of the School District are irrevocably pledged for the payment of the principal of and interest on the Refunding Bonds. The Refunding Bonds are payable, if payment is not provided in any other manner, from *ad valorem* taxes to be levied upon all taxable real property located 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 or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

In accordance with Section 56 of the School Bond Law, *N.J.S.A.* 18A:24-56, the Refunding Bonds shall be a lien upon the real estate situated in the School District, the personal estates of the inhabitants of the School District and the property of the School District, and such estates and property shall be liable for the payment of the Refunding Bonds.

New Jersey School Bond Reserve Act

The Refunding Bonds will be additionally secured under the provisions of the New Jersey School Bond Reserve Act of 1980, Chapter 56 of Title 18A of the New Jersey Statutes, as amended and supplemented, *N.J.S.A.* 18A:56-17 *et seq.* ("School Bond Reserve Act"). Pursuant to the School Bond Reserve Act, there shall be a reserve comprised of two accounts, one in an amount equal to at least one and one-half percent (1.5%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued before July 1, 2003 ("Old Reserve Account") and another in an amount equal to at least one percent (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 ("New Reserve Account", together with the Old Reserve Account, the "School Bond Reserve"). The amount to be held within the State Fund ("Fund") for the Support of Free Public Schools as the School Bond Reserve pledged by law to secure payments of principal and interest due on such bonds in the event of the inability of the issuer to make payment shall be determined on June 30 of each fiscal year by the State Treasurer and shall be funded in the amount determined by the State Treasurer on September 15 of the ensuing fiscal year. If the Old Reserve Account exceeds the amount determined to be required, the State Treasurer may transfer the excess to the New Reserve Account. The School Bond Reserve is required to 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. The amount of the School Bond Reserve may not exceed the moneys available in the Fund. If a county, municipality or school district is unable to meet payment of principal of or interest on any of its bonds issued for school purposes, it shall certify such liability to the Commissioner of Education ("Commissioner") and the Director of the Division of Local Government Services ("Director") at least ten (10) days prior to the date any such payment is due. If the Commissioner and Director approve the certification, they shall certify the same to the trustees of the Fund. The trustees of the Fund will purchase such bonds at par value or will pay to the bondholders the interest due or to become due within the limit of funds available in either account of the School Bond Reserve in accordance with the provisions of the School Bond Reserve Act. Payment by the trustees of the Fund on behalf of any county, municipality or school district shall be deducted from the appropriation or apportionment of State aid which may otherwise be payable to the school district, county or municipality, and shall not obligate the State or entitle the school district, county or municipality to the payment of any additional appropriation or apportionment. To date, there has been no occasion to call upon this Fund.

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $519.5 million, $99.3 million and $420.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

GENERAL INFORMATION REGARDING NEW JERSEY SCHOOL DISTRICTS

State's Role in Public Education

The Constitution of the State of New Jersey ("State") provides that the maintenance of and the support of a thorough and efficient system of public schools for the instruction of all children between 5 and 18 years of age is a legislative responsibility. Below is a summary of the role of the State.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the State Department of Education ("Department") which is a part of the executive branch of the State government. The Department is governed by the State Board of Education ("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 are binding upon school districts, to acquire land and other property and to decide appeals from decisions of the Commissioner on matters of school law or State Board regulations.

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, for a five (5) year, salaried term. The Commissioner is responsible for the supervision of all school districts in the State and obligated to enforce the rules and regulations of the State Board. The Commissioner's consent is required for authorization to sell school bonds that exceed the statutory debt limits, and the Commissioner may also set the amount to be raised by taxation in a school district in a fiscal year, if a school budget has not been approved by the voters of the school district or by a board of school estimate, as the case may be, or by the governing body of the municipality.

The Executive County Superintendent of Schools ("County Superintendent") is appointed in each county in the State by the Commissioner with the approval of the State Board. The Executive County Superintendent is the local representative of the Commissioner and is responsible for the daily supervision of the school districts in the county.

Structure of New Jersey School Districts

School districts are generally coterminous with the boundaries of the municipalities they serve. They are characterized by the manner in which the governing body takes office. Type I school districts, most commonly found in cities, have a board of education appointed by the mayor or chief executive officer of the municipality. In Type II districts, the board of education is elected by the voters of the school district. Almost all regional and consolidated school districts operate as Type II school districts. The School District is a Type II school district.

There is a procedure whereby a 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.

STATE AID TO SCHOOL DISTRICTS

General

In 1973, the State Supreme Court ("Supreme Court") ruled that the existing method of financing school costs primarily through property taxation was unconstitutional. Pursuant to the Supreme Court's ruling, the State Legislature enacted the Public School Education Act of 1975 (P.L. 1975, c. 212) ("Act"), which required funding of the State's school aid through the State Gross Income Tax Act (P.L. 1976, c. 47). The Act also intended to provide property tax relief. A new formula (*N.J.S.A.* 18A:7A-1 *et seq.*), which took into account a local school district's ability to pay for its operating costs, was made available commencing July 1, 1976.

On June 5, 1990, the Supreme Court ruled in *Abbott v. Burke* that the school aid formula described above did not distribute funds fairly. The Supreme Court found that poorer urban districts were significantly disadvantaged under the then funding formula because revenues were derived primarily from property taxes. The Supreme Court found that wealthy districts were able to spend more, yet tax less for educational purposes. In urban areas, on the other hand, the Supreme Court found the opposite to be true.

The Quality Education Act of 1990

The Legislative response to *Abbott v. Burke* was the passage of the Quality Education Act of 1990 ("Quality Education Act"), (P.L. 1990, c. 52), which was signed into law on July 3, 1990. This law established a new formula for the distribution of state aid for public education commencing with the 1991-92 fiscal year. The law provided a formula that took into account property value and personal income to determine a district's capacity to raise money for public education. A budgetary limitation or "CAP" on expenditures was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The Quality Education Act was amended and revised by Chapter 62 of the Pamphlet Laws of 1991 of the State, effective March 14, 1991, and further amended by Chapter 7 of the Pamphlet Laws of 1993, effective January 14, 1993.

On July 12, 1994, the Supreme Court declared the school aid formula under the Quality Education Act of 1990, as amended, unconstitutional on several grounds as it applied to the 30 special needs districts designated by the State in ongoing litigation commonly known as *Abbott v. Burke II*. No specific remediation was ordered, but the Supreme Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that the new formula would be implemented in the 1997-98 fiscal year.

Comprehensive Educational Improvement and Financing Act of 1996

In keeping with the Supreme Court's deadline, then Governor Christine Todd Whitman signed into law on December 20, 1996, the Comprehensive Educational Improvement and Financing Act of 1996 ("CEIFA" or "Comprehensive Plan"). The Comprehensive Plan affects how public schools are funded by the State, beginning in the 1997-98 fiscal year.

The Comprehensive Plan departs from other funding formulas adopted in the State in defining what constitutes a "thorough and efficient" education, which is what the State Constitution requires every public school student to receive. The Comprehensive Plan further establishes the costs to provide each student with a "thorough and efficient" education.

In defining what constitutes a "thorough" education, the State Board adopted a set of Core Curriculum Content Standards. The purpose of these standards is to provide all students with the knowledge and skills that will enable them to be productive citizens when they graduate from any State high school, regardless of the school's location or socioeconomic condition. The Comprehensive Plan provides state aid assistance in the form of Core Curriculum Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Contents Standards.

The definition of an "efficient" education under the Comprehensive Plan determines the cost to provide each student with an education that fulfills the requirements for the Core Curriculum Content Standards. The efficiency standard defines such things as optimal class size, administrator/teachers per student, schools per district, and the types and amount of classroom supplies, services, and materials. The Comprehensive Plan establishes an approximate amount per student to educate each student at various grade levels in the Core Curriculum Content Standards. This amount will be adjusted biennially for inflation by the consumer price index.

In determining how much Core Curriculum Standards Aid a school district will receive, the Comprehensive Plan considers each school district's financial ability to fund such a level of education. This component of the Comprehensive Plan is referred to as the local share requirement, namely, the amount of taxes that a school district can raise relative to other school districts based on property wealth and income levels. The purpose of the Core Curriculum Standards Aid is to provide school districts with adequate State assistance that is proportionate to their ability to pay. The purpose of this type of aid is to ensure that all school districts have the economic ability to provide their students with the ability to achieve the Core Curriculum Content Standards. In addition to the Core Curriculum Standards Aid, the Comprehensive Plan also provides per pupil assistance from the State for special education, early childhood programs, demonstrably effective programs, instructional supplement, bilingual education, county vocational schools and distance learning network.

Another form of aid that is provided by CEIFA is school facilities aid. During the 1997-98 fiscal period, this type of aid was provided to those school districts that qualified for aid under the Quality Education Act. The amount of school facilities aid that the State provided during the 1997-98 fiscal year was determined by the amount budgeted in the approved State budget.

Beginning in the 1998-99 fiscal year, State aid for school facilities consisted of a ratio that divides (i) the amount of debt service or the amount of facilities rent for lease terms that exceed five years required to be budgeted for a fiscal year period into (ii) the costs that are approved by the Department for a proposed building or renovation project. The approved facility costs under the Comprehensive Plan have not yet been determined. The Comprehensive Plan requires the Governor to submit to the legislature criteria for determining approved facilities costs, State support levels and maintenance incentives applicable to the fiscal year.

The Comprehensive Plan also limits the amount school districts can increase their annual current expense and capital outlay budgets. Generally, these budgets can increase by either two and one-half percent (2.5%) or the consumer price index, whichever is greater. Recent amendments to the Comprehensive Plan lowered the budget CAP to two and one-half percent (2.5%) from three percent (3%). Budgets can also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceed $40,000 per pupil. Waivers are available from the Commissioner based on increasing enrollments and other fairly narrow grounds or by approval of the voters at the annual school election.

Under the Comprehensive Plan, rent payments made pursuant to a facilities lease purchase agreement for a term that exceeds five years are treated as debt service for accounting purposes. These rent payments will be eligible for aid in an amount determined in the State budget for the respective fiscal year. Rent payments under a facilities lease with a term not exceeding five years and under equipment leases are budgeted in the general fund and are subject to the school district's spending growth limitations under the Comprehensive Plan.

On May 14, 1997, the Supreme Court held that the Comprehensive Plan was unconstitutional as applied to the 28 special needs districts ("Abbott Districts") because: (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education; and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. They recognized the Core Curriculum Content Standards as a valid means of identifying what is a "thorough and efficient" education under the State Constitution, but found that the State did not adequately determine or provide the adequate funding level to allow those standards to be met in the Abbott Districts. The Comprehensive Plan was not held unconstitutional as applied to the non-Abbott Districts. The School District is not an Abbott District.

The Supreme Court ordered the State: (1) to increase State aid to the Abbott Districts for the 1997-98 school year to a level such that the per-pupil expenditure in such districts is equivalent to the average per-pupil expenditure in wealthy suburban districts; (2) through the Commissioner, to manage the additional spending to assure that it will be used to allow the students to meet the education content standards; and (3) under the supervision of the Superior Court, Chancery Division, to determine a plan to provide supplemental educational and facilities programs in the Abbott Districts.

Provisions for the additional amounts of money were appropriated in the State budgets. The Supreme Court then ruled that the Commissioner and the Department will be responsible for maintaining the educational system in accordance with the orders of the Supreme Court. In response to the order, the State enacted the Educational Facilities Construction and Financing Act discussed below.

Educational Facilities Construction and Financing Act

In response to the Supreme Court's order under CEIFA, then Governor Whitman signed into law on July 18, 2000, the Educational Facilities Construction and Financing Act ("Facilities Act"). The Facilities Act provides for full funding of the qualified costs of school facilities required in the Abbott Districts and for the funding of the qualified costs of school facilities for all other school districts in an amount equal to the ratio between their core curriculum facilities aid and their thorough and efficient budget times 115% or 40% of the qualified costs, whichever is greater. In lieu of debt service aid, school districts may elect to receive grants for the State's share of the capital project and authorize bonds only for the local share of the capital project. School districts may receive debt service aid under the same formula for certain capital projects which were begun prior to the effective date of the Facilities Act.

A challenge was made to have the Facilities Act declared unconstitutional because it authorizes the issuance of debt paid out of the State's General Fund without voter approval. On August 21, 2002, the Supreme Court upheld the Facilities Act as constitutional advancing the guarantee of a "thorough and efficient" education.

School Funding Reform Act of 2008

On January 7, 2008, the New Jersey Legislature adopted Senate Bill No. 4000 (companion Assembly Bill No. 500) entitled the "School Funding Reform Act of 2008" ("School Funding Reform Act"), which establishes a new system for the funding of public school districts. The intent of the School Funding Reform Act is to create a fair, equitable, and predictable funding formula based on student characteristics, regardless of the community in which a student resides.

This legislation was signed into law by Governor Corzine on January 13, 2008.

The School Funding Reform Act maintains the requirements for the establishment and update by the State Board of Education of the core curriculum content standards that define the substance of a thorough education; however it repeals certain sections of the Comprehensive Educational Improvement and Financing Act of 1996, P.L.1996, c.138, which established the State aid formulas that supported school district programs to implement such standards. In addition, the School Funding Reform Act establishes revised formulas for calculating such State aid.

The School Funding Reform Act also establishes two categorical State aid programs. The first categorical aid program will support the cost of providing services to general special education students that is not supported through the adequacy budget. The second categorical aid program will support security costs for school districts. The School Funding Reform Act also includes preschool education State aid, which will fund a significant expansion of early childhood programs. The School Funding Reform Act continues extraordinary special education aid, but with a number of revisions. In addition, the School Funding Reform Act establishes the State aid category of educational adequacy aid for certain school districts that received education opportunity aid in the 2007-2008 school year and are spending below adequacy.

Moreover, the School Funding Reform Act provides a new formula for determining the amount of State aid received by a school district or county vocational school district for transportation aid.

The School Funding Reform Act also addresses issues associated with the funding of charter school students, as well as remaining choice students. The School Funding Reform Act also amends the Facilities Act to establish the category of a "SDA" district, which is a district that received education opportunity aid or preschool expansion aid in the 2007-2008 school year. For these "SDA" districts, the State share for their school facilities projects will remain at 100% and they will be constructed by the New Jersey Schools Development Authority. The School Funding Reform Act also revises numerous sections of law that are related to school funding and school budgeting procedures.

In the Supreme Court's most recent decision in *Abbott v. Burke* (decided on May 28, 2009), it was determined that the School Funding Reform Act of 2008 is constitutional as applied to the State's 31 Abbott Districts. The Supreme Court ordered the State to provide school funding to all districts during this and the next two (2) years in accordance with the School Funding Reform Act's funding formula, subject further to mandated review after three years of implementation.

Recent Developments in State Aid

The State provides aid to school districts in accordance with amounts provided annually in the State budget. Such aid includes equalization aid, special education categorical aid, transportation aid, preschool education aid, supplemental core curriculum standards aid, choice aid, education adequacy aid, security aid, adjustment aid and other aid as determined in the discretion of the Commissioner.

The State has reduced debt service aid by fifteen percent (15%) since 2011. As a result of the debt service aid reduction for such years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, for such years, 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 such years' budgets representing fifteen percent (15%) of the school district's proportionate share of such respective years' 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 seven-year transition period during which funding will be reduced (with the exception of the Board of Education of the City of Jersey City, where the transition period will be five years). For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year.

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 No Child Left Behind Act of 2001, 20 *U.S.C.A.* § 6301 *et seq*. ("NCLB") is a federal assistance program for which a school district qualifies to receive aid. Under the NCLB, states and local educational agencies have been given flexibility with regard to the use of federal funds for education. Federal aid is generally received in the form of block grants.

SUMMARY OF CERTAIN PROVISIONS OF THE LAWS OF THE STATE OF NEW JERSEY RELATING TO SCHOOL DISTRICTS AND SCHOOL DEBT

Levy and Collection of Taxes

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

School Budgets

On January 17, 2012, Governor Christopher J. Christie signed into law Senate Bill S-3148 which allows a school district to hold its annual school election in either April or on the same day as the General Election in November. The change in election date can be made by resolution of the board of education or the municipality or municipalities that are members of a regional board of education, or by citizen petition. On January 23, 2012, the Board passed a resolution to officially change the date of the School District's annual school election to the Tuesday after the first Monday in November.

In a Type II school district holding its annual election in April, the elected board of education develops the budget proposal and, after a public hearing, submits it for voter approval. Debt service provisions are not subject to a voter approval. If approved, the budget goes into effect. If defeated, the municipal governing body has until May 19 to fix the amount to be raised by taxation and certify that amount to the County Board of Taxation. The board of education may then appeal the action of the governing body to the Commissioner.

In a Type II school district holding its annual election in November, the elected board of education develops the budget proposal in a timeframe identical to that described above. If the budget is at or below the state cap, voter approval is not required and the budget immediately goes into effect. If the budget exceeds the state mandated cap, the budget becomes temporary and the portion exceeding the cap is then submitted for voter approval in November.

The Commissioner must also review every proposed local school district budget for the then current school year. The Commissioner has the power to increase or decrease individual line items in a budget. Any amendments in the school district's budget must be approved by the board of the school district.

Limitation of Increase in the Net Current Expense Budget

Annual increases in a school district budget are limited by law subject to certain limited exceptions. Specifically, P.L. 2007, c. 62, which became effective April 3, 2007, amended the prior limitations on a school district's ability to increase its net budget under CEIFA by placing a four percent (4%) cap on the amount that can be raised by property taxation in a given year for school district purposes (excluding debt service payments) over the prior budget year's tax levy. Appropriations for the payment of debt service on bonds, notes and lease obligations over five (5) years approved by the Commissioner were not subject to such limitations and were required to be included in full in a school district's budget.

Although P.L. 2007, c. 62 allowed for certain adjustments to the four percent (4%) tax levy cap for increases in enrollment, reductions in state aid and increases in health care costs, the bill also granted to the Commissioner discretion to grant waivers from the cap for increases in special education costs, capital outlay, and tuition charges for sending districts. During the first school budget year following the enactment of P.L. 2007, c. 62 (i.e., for the school year 2007-2008), school districts were permitted to seek voter approval to exceed the four percent (4%) levy cap. Such approval had to be obtained by a simple majority of those voting. After the first year, however, school districts were required to receive approval by at least sixty percent (60%) of the voters to exceed the levy cap. In addition, the Commissioner was given the ability to grant certain extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

Legislation constituting P.L. 2010, c. 44 ("Chapter 44"), was adopted on July 13, 2010 and is applicable to the next local budget year following enactment. Chapter 44 provides limitation on school district spending by limiting the amount a school district can raise for school district purposes through the property tax levy by two percent (2%) over the prior year's tax levy; with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of two percent (2%), certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election. The process for obtaining waivers from the Commissioner for additional increases over the tax levy or spending limitations has been eliminated under Chapter 44.

The restrictions under Chapter 44 solely apply to the property tax levy related to a school district's general fund and are not applicable to a school district's debt service fund. Accordingly, there are no restrictions imposed by Chapter 44 on a local school district's ability to raise funds through its property tax levy for debt service, and nothing contained in Chapter 44 limits the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the district to pay debt service on its bonds or notes.

Uniform System of Bookkeeping

Effective July 1, 1993, the State mandated that all school districts develop and implement accounting practices consistent with generally accepted accounting principles ("GAAP"). In addition, the school districts are required to comply with the Uniform Minimum Chart of Accounts (Federal Handbook 2R2) for their internal accounting reporting systems. The School District's financial statements since the above effective date have been prepared in accordance with the GAAP requirements.

Annual Audits

The board of education of each school district annually shall have a licensed public school accountant perform an audit of a school district's accounts and financial transactions. Within five months after the end of the school fiscal year, the Commissioner shall receive certified copies of each school district's audit. In addition, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days of its completion.

Debt Limitation

Except as provided below, no additional debt shall be authorized by a local school district if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grade pre-kindergarten through grade eighth school district, the School District can borrow up to three percent (3%) of the average equalized valuation of taxable property in the School District. The School District is within its debt capacity.

Exceptions to Debt Limitation

A Type II local school district may also utilize its municipality's remaining statutory borrowing power (i.e. the excess of three and one-half percent (3.5%) of the average equalized valuation of taxable property within the municipality over the municipality's net debt). The School District has not utilized any part of the constituent municipalities borrowing margin. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

Bonds and Notes

School district bonds and bond anticipation notes are required to be issued in conformity with the School Bond Law, which establishes debt limits on the issuance of bonds or notes. The debt limits vary depending on the type of school system.

The School District is a Type II school district. All authorizations of debt in a Type II school district not having a board of school estimate require an approving referendum. The Local Finance Board in the Department of Consumer Affairs, Division of Local Government Services ("Local Finance Board") and the Commissioner must approve any proposed authorization of debt that exceeds the combined statutory debt limitations of a Type II school district and the municipality or municipalities coterminous therewith. When such obligations are issued, they are issued in the name of the school district.

Prior to final approval, all authorizations of debt must be reported by a supplemental debt statement to the Division of Local Government Services, a State agency having regulatory responsibility for all state and local debt incurrence in the State.

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 year periods, with the final maturity not exceeding five years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired in each year subsequent to said third anniversary date.

Exceptions to the Requirements for the Issuance of Bonds and Notes

School districts may authorize and issue refunding bonds pursuant to *N.J.S.A.* 18A:24-1 *et seq.* without a voter referendum for the purpose of paying for the redemption of a series of bonds previously issued by the school district, together with the costs of issuing the refunding bonds.

Additionally, pursuant to *N.J.S.A.* 18A:18A-4.6, school districts may issue "energy savings obligations" (in the same manner as refunding bonds) without voter approval to fund the costs of certain improvements that result in reduced energy use, including, but not limited to, installation of energy efficient equipment; demand response equipment; combined heat and power systems; facilities for the production of renewable energy; water conservation measures, fixtures or facilities; building envelope improvements that are part of an energy savings improvement program; and related control systems for each of the foregoing (collectively, "Energy Conservation Measures"); provided that the amount of the savings resulting from reduced energy usage will cover the cost of such Energy Conservation Measures. Energy savings obligations require the approval of the Local Finance Board prior to issuance.

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements: (i) for the acquisition of equipment; (ii) for the acquisition of land and school buildings; and (iii) for the construction or the improvement of the school buildings. Generally, lease purchase agreements for equipment cannot exceed five (5) years without the approval of the Commissioner. Lease purchase agreements for Energy Conservation Measures may be for a term of up to fifteen (15) years (twenty (20) years for the lease of combined heat and power equipment); provided that the amount of the savings resulting from reduced energy usage will cover the cost of such improvements. The Facilities Act repealed the authorization to enter into facilities leases in excess of five (5) years other than for Energy Conservation Measures. Lease purchase agreements involving a ground lease of school facilities for a term of five (5) years or less must be approved by the Commissioner. The payment of rent on a lease not in excess of five (5) years (other than for Energy Conservation Measures) is treated as a current expense and is within the CAP on the school district's budget. Under CEIFA, lease purchase payments on leases in excess of five years (other than for Energy Conservation Measures) will be treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and will be outside the school district’s spending limitation on the General Fund.

Related Constitutional and Statutory Provisions

In the general election of November 2, 1976, as amended by the general election of November 6, 1984, the following Article 8, Section 1, Paragraph 7, in respect of a state income tax, was added to the State Constitution:

> No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the federal Social Security Act, the federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State. Interest payable on the Refunding Bonds is exempt therefrom.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths of all of the members of each house of the Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

Rights and Remedies of Owners of Refunding Bonds

The New Jersey Municipal Finance Commission Act, Chapter 27 of Title 52 of the New Jersey Statutes, as amended and supplemented ("Municipal Finance Commission Act"), provides that when it has been established by court proceeding that a municipality has defaulted for over sixty (60) days in the payment of the principal of or interest on any of its outstanding bonds or notes, the Local Finance Board (which, pursuant to the Municipal Finance Commission Act, is constituted the Municipal Finance Commission and shall hereinafter be referred to as the "Commission") shall take control of the fiscal affairs of the defaulting municipality.

The Municipal Finance Commission Act provides that the Commission shall remain in control in the municipality until all bonds or notes of the municipality that have become due and all bonds or notes that will become due within one year, and the interest thereon, have been paid, funded or refunded, or the payment thereof in cash shall have been adequately provided for by a cash reserve.

The Municipal Finance Commission Act empowers the Commission to direct the school district coterminous with the municipality to provide for the funding of bonds or notes of the school district and the interest thereon, which the Commission shall have found to be outstanding and unpaid and to be due or become due. The Municipal Finance Commission Act further authorizes the Commission to bring and maintain an appropriate proceeding for the levy or collection of taxes for the payment of principal of or interest on such indebtedness, which special tax shall be levied upon all the real and personal property in the school district subject to taxation.

Under Article 6 of the Municipal Finance Commission Act, while the Commission functions in a municipality having a school district coterminous therewith, no judgment, levy, or execution against the school district or its property for the recovery of the amount due on any bonds, notes or other obligations of the school district in the payment of which it has defaulted, shall be enforced unless otherwise directed by court order. However, Article 6 of the Municipal Finance Commission Act also provides that upon application of any creditor made upon notice to the school district and the Commission, a court may vacate, modify, or restrict any such statutory stay contained therein.

Limitation of Remedies Under Federal Bankruptcy Code

The undertakings of the School District should be considered with reference to Chapter 9 of the Bankruptcy Act, 11 *U.S.C.* Section 901 *et seq.*, as amended by Public Law 94-260, approved May 8, 1976 ("Chapter 9"), the Bankruptcy Reform Act of 1978, effective November 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective November 22, 1994, and other bankruptcy laws affecting creditors' rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter 9 and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy 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 Chapter 9 shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or materials actually provided within three (3) months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to *N.J.S.A.* 52:27-40 *et seq.* ("State Bankruptcy Statute"), which provides that a municipality or school district has the power to file a petition in bankruptcy provided the approval of the New Jersey Municipal Finance Commission has been obtained. The powers of the New Jersey Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality or school district must follow in order to take advantage of the provisions of the Bankruptcy Act.

THE ABOVE REFERENCES TO CHAPTER 9 AND THE STATE BANKRUPTCY STATUTE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE SCHOOL DISTRICT EXPECTS TO RESORT TO THE PROVISIONS OF CHAPTER 9 AND THE STATE BANKRUPTCY STATUTE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCES OF PAYMENT OF AND SECURITY FOR THE REFUNDING BONDS.

INFORMATION REGARDING THE SCHOOL DISTRICT

General

General information concerning the School District, including statistical, demographic and other relevant data, is set forth in Appendix "A" to this Official Statement.

Financial

Appendix "B" to this Official Statement contains audited financial statements of the School District for the Fiscal Years ending June 30, 2017 and 2016. A copy of the 2017 audit prepared by Bowman & Company LLP, Voorhees, New Jersey, containing the financial statements and complete Reports of Audit may be obtained upon request to the office of the School Business Administrator/Board Secretary.

LITIGATION

Upon delivery of the Refunding Bonds, the School District shall furnish an opinion of Daniel H. Long, Esquire, of the law firm Wade, Long, Wood and Long, LLC, Laurel Springs, New Jersey, the School District's solicitor ("Solicitor"), dated the date of delivery of the Refunding Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Refunding Bonds, or in any way contesting or affecting the validity of the Refunding Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Refunding Bonds. In addition, such opinion shall state that there is no litigation of any nature now pending or threatened by or against the School District wherein an adverse judgment or ruling could have a material and adverse impact on the financial condition of the School District or adversely affect the power to levy, collect and enforce the collection of taxes and other revenues for the payment of its bonds, which has not otherwise been disclosed in this Official Statement.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Refunding Bonds are subject to the approval of Parker McCay P.A., Mount Laurel, New Jersey, bond counsel to the School District, whose approving legal opinion will be delivered with the Refunding Bonds substantially in the form set forth as Appendix "C" hereto. Certain legal matters will be passed on for the School District by the Solicitor.

The various legal opinions to be delivered concurrently with the delivery of the Refunding Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the School District, assuming continuing compliance by the School District with the tax covenants described below, under existing law, interest on the Refunding Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction).

For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Refunding Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Refunding Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Refunding Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Refunding Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Refunding Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has relied on the School District's covenants contained in the Bond Ordinances, and in the Certificate as to Non-Arbitrage and Other Tax Matters, that it will comply with the applicable requirements of the Code, relating to, *inter alia*, the use and investment of proceeds of the Refunding Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the School District to comply with such covenants could result in the interest on the Refunding Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Refunding Bonds that may affect the tax-exempt status of the interest on the Refunding Bonds.

Ownership of the Refunding Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Refunding Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Refunding Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Refunding Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by Banks, Thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The School District has designated the Refunding Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry "qualified tax-exempt obligations" is deductible.

Owners of the Refunding Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

New Jersey

Bond Counsel is also of the opinion that interest on the Refunding Bonds and any gain from the sale thereof are not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the Refunding Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Refunding Bonds.

PROSPECTIVE PURCHASERS OF THE REFUNDING BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE REFUNDING BONDS AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule"), promulgated under the Securities Exchange Act of 1934, as amended, by the Securities and Exchange Commission ("Commission"), the School District will, prior to the issuance of the Refunding Bonds, enter into an agreement substantially in the form set forth in Appendix "D" ("Continuing Disclosure Agreement").

Within the five years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending June 30, 2013, 2014 and 2015; and (ii) operating data for the fiscal years ending June 30, 2013 and 2015; and (iii) adopted budgets for fiscal years ending June 30, 2014, 2015 and 2016. Additionally, the Board previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; (iii) adopted budgets, all as described above, and late filing notices and/or event notices in connection with program rating changes in 2014 and 2016. Such notices of events and late filings have since been filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access Dataport ("EMMA"). The Board appointed Phoenix Advisors, LLC in September of 2018 to serve as continuing disclosure agent.

UNDERWRITING

The Refunding Bonds are being purchased from the School District by Roosevelt & Cross, Incorporated, as underwriter ("Underwriter"), pursuant to a bond purchase contract dated October __, 2018, at a purchase price of $____________ ("Purchase Price"). The Purchase Price of the Refunding Bonds reflects a par amount of $____________, [plus/less] a[n] [net] original issue [premium/discount] in the amount of $__________, and less an Underwriter's discount in the amount of $_________. The Underwriter is obligated to purchase all of the Refunding Bonds if any Refunding Bonds are purchased.

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

NO DEFAULT

There is no record of default in the payment of the principal of or interest on the bonds or notes of the School District.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as financial advisor to the School District with respect to the issuance of the Refunding Bonds ("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.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("Rating Agency"), has assigned a rating of "A+" to the Refunding Bonds based on the creditworthiness of the School District. The Rating Agency is also expected to assign its rating of "AA" (stable outlook) to the Insured Bonds subject to the issuance of the Policy by Build America Mutual ("BAM") at the time of the delivery of the Refunding Bonds. The Refunding Bonds are further secured by the New Jersey School Bond Reserve Act.

Explanations of the significance of the ratings may be obtained from S&P at 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. Such ratings reflect only the views of S&P. There is no assurance that the ratings mentioned above will remain in effect for any given period of time, or that they might not be lowered or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Neither the Underwriter (as defined herein), nor the School District has undertaken any responsibility either to bring to the attention of the holders of the Refunding Bonds any proposed change in or withdrawal of a rating of the Refunding Bonds or to oppose any such proposed change or withdrawal. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Refunding Bonds.

PREPARATION OF OFFICIAL STATEMENT

The School District hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm same to the Underwriter by certificates signed by various School District officials.

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

Neither Bond Counsel nor the Municipal Advisor has participated in the preparation of this Official Statement, nor have such firms verified the accuracy, completeness or fairness of the information contained herein (except under the heading "TAX MATTERS" for Bond Counsel) and, accordingly, will express no opinion with respect thereto.

Bowman & Company LLP, Voorhees, New Jersey, compiled this Official Statement from information obtained from School District management and other various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information. Bowman & Company LLP does take responsibility for the financial statements, appearing in Appendix "B" hereto, to the extent specified in the Independent Auditor's Reports.

LEGALITY FOR INVESTMENT

Applicable laws of the State provide that the Refunding Bonds are legal investments for funds held by, *inter alia*, banks, savings banks, trust companies, insurance companies or associations and fiduciaries.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to Jean Grubb, School Business Administrator/Board Secretary, Gloucester Township School District, at (856) 227-1400 or the Municipal Advisor at (609) 291-0130.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of the Refunding Bonds.

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

This Official Statement has been duly executed and delivered by the School District.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF GLOUCESTER IN THE COUNTY OF CAMDEN, NEW JERSEY

By: ______________________________

JEAN GRUBB,
School Business Administrator/Board Secretary

Dated: October __, 2018

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE SCHOOL DISTRICT AND THE TOWNSHIP OF GLOUCESTER, NEW JERSEY

GENERAL INFORMATION ON THE SCHOOL DISTRICT(1)

Education

The Board of Education of the Township of Gloucester in the County of Camden, New Jersey ("Board" when referring to the governing body, and "School District" when referring to the legal entity governed by the Board) was organized in the late 1800s and operates under the provisions of Title 18A, of the New Jersey State ("State") Statutes. The Board functions independently through a nine-member board, elected by the citizens in alternate three-year terms. There are presently eight (8) elementary and three (3) middle schools in use for grades pre-kindergarten through eight.

Gloucester Township ("Township") high school students attend the Black Horse Pike Regional School District ("Regional School District") which presently operates three (3) high schools for grades 9 through 12.

The Regional School District was organized on June 14, 1955 with the approval of the legal voters, and functions through a nine (9) member board, elected by the citizens in alternate three-year terms. The Regional School District comprises the Township and the Boroughs of Runnemede and Bellmawr. Taxes for the support of the Regional School District, as approved by the voters in the Regional School District, are levied on the valuations in the three (3) municipalities as equalized by the County.

TOWNSHIP OF GLOUCESTER SCHOOL DISTRICT
SCHOOL ENROLLMENTS (1)

	As of October 15,				
Grade	**2017**	**2016**	**2015**	**2014**	**2013**
Pre-School	49	48	32	27	53
K	559	601	482	532	540
1	614	579	634	646	653
2	570	550	588	623	625
3	563	564	632	626	637
4	560	605	627	635	621
5	595	628	628	614	629
6	645	632	629	653	633
7	637	625	644	636	701
8	614	645	643	680	710
Special Education	892	882	1,038	1,067	943
Totals	**6,298**	**6,359**	**6,577**	**6,739**	**6,745**

Present School Facilities, Enrollment and Capacity(1)

Name of School	Date Constructed	Renovations / Additions	Grades	Enrollment Oct. 15, 2017	Functional Capacity
Blackwood School	1958	1960/1980/1995/2001	K-5	594	850
Chews School	1958	1960/1967/1995/2001	K-5	642	925
Erial School	1961	1968/1980/1995/2001	K-5	658	925
Glendora School	1922	1931/1951/1978	K-5	240	350
Gloucester Township School	1926	2001	K-5	249	350
Loring-Fleming School	1976	1988	K-5	696	975
James W. Lilley, Jr. School	1986	1988/1996/2001	K-5	524	925
C.W. Lewis Middle School	1964	1969/2001	6-8	635	1,100
Glen Landing Middle School	1971	1974	6-8	735	1,100
Ann Mullen Middle School	1996		6-8	890	1,350
Union Valley School	2001		K-5	435	925
Totals				**6,298 (2)**	**9,775**

(1) Source: School District officials
(2) Does not include students attending out of district schools

BLACK HORSE PIKE REGIONAL HIGH SCHOOL DISTRICT
SCHOOL ENROLLMENTS (1)

As of October 15,

Grade	2017	2016	2015	2014	2013
9	765	731	812	752	999
10	776	712	723	805	989
11	708	746	778	826	949
12	796	699	827	839	926
Spec. Ed.	599	586	546	520	539
Totals	**3,644**	**3,474**	**3,686**	**3,742**	**4,402**

Budget History – Gloucester Local School Only

Budget Year	Outcome of Election	General Fund Tax Levy As Originally Proposed
2018-2019	(2)	$ 49,630,311
2017-2018	(2)	48,215,991
2016-2017	(2)	47,270,580
2015-2016	(2)	45,456,852
2014-2015	(2)	43,756,246

School District Employees

			As of June 30,		
	2017	2016	2015	2014	2013
Permanent Employees	1,007	1,044	1,088	1,069	1,070

Employee Collective Bargaining Units

The following is a schedule of employee collective bargaining units, number of employees represented and dates of expiration of current contracts:

	Employees Represented	Contract Expiration Date
Gloucester Township Education Association	617	6/30/2021
Gloucester Township Principals and Supervisors Association	30	6/30/2021
Gloucester Township Support Personnel Association	330	6/30/2021
Gloucester Township Central Administration Support Group Assoc.	15	6/30/2021

Compensated Absences

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated

(1) Source: Application for State School Aid. Includes students from the Township and the Boroughs of Bellmawr and Runnemede.
(2) Not subject to Voter Approval since General Fund Tax Levy was within State Cap

and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget. For additional information regarding compensated absences, see Appendix B: Note 14 to the Financial Statements.

Pension Plans

Those School District employees who are eligible for pension coverage are enrolled in one of three pension systems established for school districts by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension plans, see Appendix B: Note 9 to the Financial Statements.

HIGHER EDUCATION FACILITIES

Rutgers University-Camden Campus

Rutgers University-Camden ("Rutgers"), is a comprehensive, publicly-supported, co-educational four-year institution accredited by the Middle States Association of Colleges and Secondary Schools and funded primarily by the State, was founded in 1950 on a 23.8 acre campus in the City of Camden. As of September, 2016, there were approximately 5,021 undergraduate students and 1,454 graduate students.

Camden County College

Fully accredited by the Middle States Association of Colleges and Secondary Schools, Camden County College ("College") is a comprehensive publicly supported, co-educational two-year institution developed under the State Department of Higher Education. It is funded in part by the County Board of Chosen Freeholders who appoint an eleven (11) member Board of Trustees. The College has three distinct campuses in Blackwood, Camden and Cherry Hill – along with its satellite locations in Lakeland, Sicklerville and elsewhere throughout the County.

As of the Fall of 2017, full time enrollment was 5,041 and part-time enrollment was 5,451 for a total of 10,492.

Camden County Technical Schools

From a vocational school that opened with 400 students in 12 trade areas in 1928, Camden County Technical Schools ("CCTS") has grown to be one of the largest and most comprehensive technical schools in the nation. The district today encompasses a full range of day and evening programs at campuses in Pennsauken and Gloucester Township. Beginning in 2012, the adult programs were operated by Camden County College as part of the Camden County shared services agreement.

For high school students, there are 32 career programs from which to choose. For the 2017-2018 school year, 1,325 students are enrolled at the Gloucester Township Campus, and 771 at the Pennsauken Campus, including 323 Special Education Students between the two campuses. Seniors are offered the opportunity to participate in several of our school-to-career programs and are offered lifetime job placement assistance. In addition, students are offered a full-range of athletics and activities to complement their education. Through Camden County College, high school juniors and seniors at CCTS have various opportunities to earn college credit for college level work completed while in high school. Students may bank the credits earned for future enrollment at colleges and universities.

In addition to the facilities mentioned above, Stockton University, University of Pennsylvania, Temple University, LaSalle University, Villanova University, St. Joseph's University, Drexel University and Rowan University are all within a commuting distance from the Township.

SCHOOL DISTRICT BUDGETS

	2018-2019	2017-2018
Revenues:		
General Fund:		
Fund Balance Appropriated	$5,339,252	$5,378,402
Withdrawal from Tuition Reserve-Surplus	200,000	200,000
Withdrawal from Capital Reserve-Surplus	4,800,000	700,000
Federal Aid	175,668	160,664
State Aid	51,917,671	50,911,529
Interest Earned on Reserve Funds	3,850	3,100
Tuition	120,000	120,000
Local District School Taxes	49,630,311	48,215,991
Miscellaneous	593,335	205,000
Total General Fund	112,780,087	105,894,686
Special Revenue Fund:		
Federal Aid	2,424,340	2,234,500
State Aid	437,530	548,400
Total Special Revenue Fund	2,861,870	2,782,900
Debt Service:		
Fund Balance Appropriated	19,827	728
Local District School Taxes	634,070	2,352,946
State Aid	475,703	1,033,514
Total Debt Service Fund	1,129,600	3,387,188
Total Revenues	$116,771,557	$112,064,774
Appropriations:		
General Fund:		
Current Expense:		
Regular Programs--Instruction	$34,181,953	$34,341,475
Special Education--Instruction	10,821,760	10,980,958
Bilingual Education--Instruction	318,146	253,035
School-Spon. Concurricular Activities--Instruction	350,000	350,000
School Sponsored Athletics--Instruction	313,500	313,500
Other Supplemental/At-Risk Programs	1,140,503	928,140
Community Services Programs/Operations	5,000	5,000
Undistributed Expenditures:		
Tuition	6,283,844	5,269,264
Attendance and Social Work Services	166,881	163,755
Health Services	1,402,698	1,604,556
Speech, OT, PT & Related Services	1,470,077	1,560,370
Other Support Services Students - Extra. Services	200,000	100,000
Guidance	1,451,747	1,391,536

(Continued)

SCHOOL DISTRICT BUDGETS

	2018-2019	2017-2018
Appropriations (Cont'd):		
General Fund (Cont'd):		
Undistributed Expenditures (Cont'd):		
Child Study Teams	$1,720,108	$1,678,435
Improvement of Instructional Services	831,138	814,748
Educational Media Services--School Library	1,054,321	1,050,249
Instructional Staff Training Services	16,600	18,700
Support Services--General Administration	1,025,170	1,020,243
Support Services--School Administration	3,752,827	3,653,134
Central Services	1,325,663	1,332,378
Admin Info Technology	1,052,084	957,777
Operation and Maintenance of Plant Services	7,016,954	6,938,316
Student Transportation Services	7,196,000	6,645,152
Personal Services-Employee Benefits	21,439,854	20,481,544
Increase in/Interest on Maintenance Reserve	290,302	500
Increase in/Interest on Emergency Reserve	300,800	600
Total Current Expense	105,127,930	101,853,365
Capital Outlay:		
Equipment	131,600	30,000
Facilities Acquisition and Construction Services	4,892,805	939,086
Increase in/Interest on Capital Reserve	1,002,000	1,533,521
Total Capital Outlay	6,026,405	2,502,607
Transfer of Funds to Charter Schools	1,625,752	1,538,714
Total General Fund	112,780,087	105,894,686
Special Revenue Funds:		
State Projects	437,530	548,400
Federal Projects	2,424,340	2,234,500
Total Special Revenue Fund	2,861,870	2,782,900
Debt Service Fund:		
Principal and Interest	1,129,600	3,387,188
Total Debt Service Funds	1,129,600	3,387,188
Total Appropriations	$116,771,557	$112,064,774

HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVENMENTAL FUND TYPES (1)

	Fiscal Year Ended June 30,				
	2017	2016	2015	2014	2013
Revenues:					
Tax Levy	$ 49,690,238	$ 47,583,252	$ 45,791,690	$ 43,693,789	$ 43,512,893
Other Local Revenue	1,118,304	1,012,625	819,615	1,046,974	808,286
State Sources	66,471,831	64,874,515	63,782,713	61,783,441	62,190,240
Federal Sources	3,154,270	3,152,976	3,095,973	2,854,213	3,405,939
Total Revenue	120,434,643	116,623,368	113,489,991	109,378,417	109,917,358
Expenditures:					
Instruction					
Regular Instruction	36,057,164	34,842,859	34,558,348	34,440,363	33,172,708
Special Education Instruction	10,074,220	10,046,573	9,927,724	9,693,153	9,300,264
Other	245,415	211,986	270,564	261,685	250,275
School-Sponsored/Other Instructional	1,473,383	1,585,259	1,574,442	1,538,107	1,759,682
Community Services	1,539	1,549	3,998	6,724	3,596
Support Services:					
Tuition	5,960,812	5,412,746	5,511,133	5,396,982	4,914,497
Student and Instruction Related Services	8,746,842	8,568,656	8,399,761	8,421,590	8,511,056
School Administrative Services	3,524,318	3,321,983	3,340,311	3,299,183	3,095,497
Other Administrative Services	3,220,014	3,121,721	3,047,584	3,073,636	2,897,356
Plant Operations and Maintenance	6,848,097	6,668,791	6,958,959	7,229,358	5,894,593
Pupil Transportation	3,758,076	3,150,677	3,273,597	3,273,807	3,126,901
Unallocated Benefits	30,060,216	28,186,583	26,124,881	24,453,376	25,246,307
Special Schools					
Transfer to Charter Schools	1,485,113	1,600,693	1,499,077	1,383,870	1,273,339
Debt Service:					
Principal	3,180,000	3,130,000	3,035,000	3,015,790	3,540,789
Interest and Other Charges	272,032	368,164	432,955	484,589	825,738
Capital Outlay	1,858,736	1,345,341	2,748,941	1,596,547	1,791,628
Total Expenditures	116,765,976	111,563,579	110,707,275	107,568,760	105,604,226
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,668,667	5,059,789	2,782,716	1,809,657	4,313,131
Other Financing Sources (Uses):					
Capital Leases (Non-budgeted)	567,485				
Sale of Bonds	4,570,000				7,430,000
Premium on Sale of Bonds	426,620				189,532
Payment to Refunded Debt Escrow Agent	(4,894,026)				(7,521,799)
Costs of Issuance					(97,733)
Accounts Receivable/Payable Canceled				(34,953)	
Transfers In					2,635,719
Transfers Out	(3,263,838)	(3,401,990)	(3,256,823)	(3,545,290)	(6,126,265)
Total Other Financing Sources (Uses)	(2,593,759)	(3,401,990)	(3,256,823)	(3,580,243)	(3,490,547)
Net Change in Fund Balances	1,074,908	1,657,799	(474,106)	(1,770,586)	822,585
Fund Balances, July 1	17,386,622	15,728,823	16,202,930	17,973,516	17,150,931
Fund Balances, June 30	$ 18,461,530	$ 17,386,622	$ 15,728,823	$ 16,202,930	$ 17,973,516

(1) Source: School District Reports of Audit

HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
ALL PROPRIETARY FUND TYPES(1)

	Fiscal Year Ended June 30,				
	2017	2016	2015	2014	2013
OPERATING REVENUES:					
Charges for Services:					
Food Service Sales	$ 989,641	$ 1,015,682	$ 1,062,650	$ 1,155,058	$ 1,247,102
Special Functions	63,040	57,326	48,933	73,518	77,112
Community Service Activities	1,487,691	1,333,888	1,233,626	1,171,266	1,289,464
Transportation Fees from LEA	3,263,838	3,401,990	3,256,823	3,545,290	3,490,547
Transportation Fees from Other LEAs Within the State	1,494,913	1,392,758	1,459,123	1,670,853	1,691,965
Miscellaneous	829	431	782	2,329	1,142
Total Operating Revenues	7,299,951	7,202,075	7,061,936	7,618,314	7,797,332
OPERATING EXPENSES:					
Salaries	3,073,714	3,269,053	3,307,992	3,415,596	3,439,333
Employee Benefits	2,312,053	2,597,119	2,470,497	2,909,450	2,715,051
Purchased Professional Services	61,991	59,196	72,616	56,212	111,165
Other Purchased Services	443,033	442,136	402,161	622,623	641,503
Cleaning, Repair and Maintenance Services	138,311	104,374	100,241	187,570	145,134
Purchased Property Services	175,000	175,000	175,000	175,000	175,000
Communications/Telephone	6,458	6,454	10,906	16,259	14,915
Travel	1,082	934	805	973	772
General Supplies and Materials	105,447	88,357	95,589	116,150	281,142
Transportation Supplies	166,296	201,860	132,483	119,103	941
Gasoline	200,404	191,119	314,152	494,488	485,544
Depreciation	364,848	407,163	413,246	401,455	452,373
Cost of Sales	912,944	973,645	986,923	1,060,768	996,174
Miscellaneous Expense	63,101	47,197	39,562	201,349	13,924
Total Operating Expenses	8,024,683	8,563,608	8,522,175	9,776,996	9,472,971
Operating Income (Loss)	(724,732)	(1,361,532)	(1,460,239)	(2,158,682)	(1,675,639)
NONOPERATING REVENUES (EXPENSES):					
State Sources:					
State School Breakfast and Lunch Program	27,503	25,003	26,339	29,460	30,007
Federal Sources:					
National School Breakfast and Lunch Program	1,453,016	1,320,075	1,338,811	1,348,046	1,265,449
After School Snack Program	8,810	7,995	8,676	8,091	8,935
Special Milk Program	291	8,511	9,499	9,768	10,026
Food Distribution Program	137,134	144,080	82,837	111,456	91,133
Interest on Capital Leases		(1,393)			
Gain/(Loss) on Disposal of Capital Assets		(11,867)	(4,628)	(3,718)	(5,562)
Interest and Investment Income	1,405	1,156	986	1,641	3,892
Total Nonoperating Revenues (Expenses)	1,628,159	1,493,559	1,462,520	1,504,745	1,403,882
Change in Net Position	903,427	132,027	2,281	(653,937)	(271,757)
Total Net Position - July 1	2,417,028	2,285,001	2,119,330	2,773,267	3,045,024
Prior Period Adjustment	-	-	163,390	-	-
Net Assets - July 1 (Restated)	2,417,028	2,285,001	2,282,720	2,773,267	3,045,024
Total Net Position - June 30	$ 3,320,455	$ 2,417,028	$ 2,285,001	$ 2,119,330	$ 2,773,267

(1) Source: School District Reports of Audit

GENERAL INFORMATION ON THE TOWNSHIP

History

The present Township of Gloucester, in the County of Camden, New Jersey, ("Township") was one of the original townships that comprised Old Gloucester County, becoming its first political subdivision in 1685. The boundaries of the Township extended from the Delaware River to the Atlantic Ocean until 1693, when the County of Gloucester was divided into two townships, Egg Harbor Township and Gloucester Township. In 1695, the Township was further subdivided into four smaller townships, and on June 1 of that year, the Township was incorporated, becoming one of the earliest townships in the State to be so incorporated. In 1844, the Township became a part of the newly-formed Camden County.

Early industrial activity, which included grist mills, saw mills and foundries, centered around the Township's principal waterway, Great Timber Creek. The Brewer Shipyard, founded in the late 1700s along the Creek in Chews Landing, was the Township's largest industry from 1794 until 1876. The Bateman Manufacturing Company, established in 1863, manufactured such iron products as farm machinery, cultivators and household goods.

In addition to the foundry and saw mill industries, farming played an important role in the Township's economy. By the middle of the nineteenth century, farming and the shipping of farm products to markets in Philadelphia, had become one of the Township's leading industries. Before the Civil War, the Township was also noted for its stone quarries and horse farms.

Today the Township is primarily a residential suburban community with its major concentration of light industries and commercial activity located in the Glendora section.

Location

The Township is situated in the western portion of the Camden County, approximately fifteen miles southeast of the City of Philadelphia, Pennsylvania. With a land area of 23.14 miles, the Township is the fourth largest municipality in the County, encompassing the unincorporated communities of Glendora, Blackwood, Chews Landing, Timberline-White Birch, Broadmoor, Blenheim, Erial, Glen Oaks, Hilltop and Lambs Terrace.

Organization

The Township is governed by a Mayor and a seven-member Township Council ("Council"). The Mayor is elected for a four-year term and serves as the full-time, chief executive officer of the Township. The functions of the Mayor are, among others, to see that the laws of the State and the ordinances of the Township are executed and to recommend to the Council such measures as he/she deems necessary and expedient for the welfare of the Township. Members of the Council, elected for four-year terms on a staggered basis, oversee the Township's operations. The functions of the Council are, among others, to adopt the municipal budget and to enact ordinances to promote and secure the health, government and protection of the Township and its residents.

The Township's Business Administrator is responsible for the appointment of the Tax Collector, the Tax Assessor and the Township Treasurer. In addition to being in charge of the daily operations of the Township, the Township Business Administrator oversees staffing and personnel, prepares and implements the budget and is responsible for Township receipts and disbursements.

The Township Clerk assists with administering the affairs of the Township. The Township Tax Assessor has the duty of assessing property for the purpose of general taxation.

A number of services are provided by the Township and paid for from general revenues. In addition to police protection, employees in the Public Works Department maintain Township streets and roads, storm drains, snow removal, parks, playgrounds and public areas, building and zoning protection and any emergency service affecting the community.

Police, Fire Protection and Emergency Services

The Township's Police Department ("Department") offers residents 24 hour a day protection from the centrally located Township Municipal Building. The Department consists of a Police Chief, one (1) Deputy Chief, three (3) Captains, ten (10) Lieutenants, seventeen (17) Sergeants, twenty-four (24) Detectives and seventy-five (75) Patrol Officers. Also, the Department has organized a neighborhood watch and a K-9 Unit.

Fire Protection is manned by 250 volunteer firemen operating 25 pieces of equipment in six (6) fire districts and paid firemen between the hours of 6:00 a.m. to 6:00 p.m. Ambulance crews plus two (2) volunteer ambulance corps provide service from 6:00 p.m. to 6:00 a.m. to John F. Kennedy Memorial Hospital, Stratford Division and the Camden County Health Care Service Center in the Township.

Recreation

The Township's Director of Public Works conducts a year-round program of sporting, exercise and leisure events. The Township provides many recreational areas and activities for its residents such as baseball fields, softball fields, soccer fields, tennis courts, football fields, basketball/playground facilities, tot lots and a swimming pool. The Township has a recreation building for basketball, indoor soccer and other recreational programs.

Transportation

The North/South Freeway (Route 42), a six-lane divided highway running through the Township's southern section, provides direct access to the Atlantic City Expressway, Interstate Route 295 (north to south), 76 (west via the Walt Whitman Bridge to Philadelphia and Philadelphia International Airport) and 676 north via the Benjamin Franklin Bridge and center-city Philadelphia. State Route 168 (Black Horse Pike) provides connection to the New Jersey Turnpike. The State completed extensive improvements to State Route 168 in the fall of 1996. Also completed was the extension of State Route 55 from Vineland to an interchange with Interstate 295 in the Borough of Bellmawr, giving the residents of the Township access to a north-south highway system extending from southern sections of the state to the state capitol in Trenton. Additional forms of public transportation include intercity bus service on Public Service Bus Lines and commuter rail service to Philadelphia from Lindenwold to the PATCO High Speed Line.

Hospitals

Local medical treatment is available to Township residents at the three (3) divisions of Jefferson Hospital. The Stratford Division and the Washington Township Division are located approximately four (4) miles from the Township, in Stratford Borough and Turnersville, Washington Township (Gloucester County), respectively. The Cherry Hill Division is located approximately eight (8) miles from the Township.

Trash and Recyclables

Trash collection and disposal services are provided by a private company, Waste Management of NJ, Inc., which is paid by the Township at a rate of approximately $2,000,000 annually. The Township currently has a five-year contract with Waste Management of NJ, Inc. for collection services which expires December 31, 2020. The Township also has a separate five-year contract with Waste Management of NJ, Inc. for disposal services, which expires December 31, 2020. The trash is then disposed of at the Covanta Camden Energy Recovery Center at a rate of $60.00 per ton.

Recyclable material such as glass, aluminum cans, newspapers and plastic are collected by the Gloucester Township Municipal Utilities Authority ("Authority") at a cost of approximately $758,436 annually.

Water Service

The Township is served by two (2) private water companies. The Glendora, Chews Landing and Hilltop sections of the Township are served by the New Jersey-American Water Company which provides water to approximately one-third of the Township comprising fifty percent (50%) of the population. The remainder of the Township is served by the Blackwood Division of Aqua America, Inc. (formerly known as Consumers New Jersey Water Company). Both water companies service residential and commercial/industrial properties.

Sewer Service

On November 29, 1963, the Township conveyed its sewerage facilities, constructed in 1929-1930, to the Gloucester Township Municipal Utilities Authority ("Authority"). The Township does not own or operate any sanitary sewerage facilities and the Authority has the sole right to operate sewerage facilities within the Township.

In 1963, the Authority commenced a program consisting of the acquisition and reconstruction of two (2) privately owned sewerage systems, the construction of a new treatment plant and the construction of new sewerage collection mains and pumping stations. The program is now complete.

The governing body of the Authority is autonomous and consists of five (5) members and two (2) alternates, appointed by the Mayor and Township Council. The terms of the members are staggered so that the term of at least one member expires each year; the terms of the alternate members are two years. Authority Board members may be re-appointed. The Council President presently serves as the Township's liaison with the Authority.

The Township has adopted an ordinance requiring the owner of any building located upon a street in which a public sanitary sewer has been or is to be constructed to connect the building to the sewer line when the sewer line is operational.

The Authority's sewerage system ("System") consists of approximately 368 miles of gravity sewer lines and 51 pumping stations which provide sewerage collection service to a substantial portion of the Township's residents. There are approximately 29,574 Equivalent Dwelling Units ("EDU") connected to the System.

Present sewer rates for residential dwellings are $184 per year. Residential connection fees to the Authority are $1,600, plus a permit fee to the Camden County Municipal Utilities Authority ("CCMUA") of $6,123.

Sewer treatment service is provided by the CCMUA. The CCMUA is an autonomous body that owns and operates the treatment facility, and has established an annual rate of $352 per Equivalent Dwelling Unit.

Camden County Municipal Utilities Authority

The Camden County Municipal Utilities Authority (“CCMUA”) is a public body corporate and politic of the State and was originally created as the Camden County Sewerage Authority (“Sewerage Authority”) by a resolution of the County adopted on December 5, 1967. The Sewerage Authority was reorganized in 1972 as a utilities authority and changed its name to the Camden County Municipal Utilities Authority pursuant to a resolution of the County adopted on April 13, 1972. The CCMUA operates under the supervision of nine commissioners who are appointed by the Board for five-year staggered terms. The County has entered into a deficiency agreement with the CCMUA (“Deficiency

Agreement") whereby the County is obligated to pay to the CCMUA any annual charges equal to any deficits in CCMUA revenues necessary to pay or provide for: (i) operation and maintenance expenses of the CCMUA's regional sewer system, (ii) principal and interest payments on bonds and notes of the CCMUA in an aggregate principal amount not to exceed $685,500,000, and (iii) the maintenance of reserves required under the bond resolution securing the CCMUA's bonds and notes. The obligation of the County pursuant to the provisions of the Deficiency Agreement is a direct and general obligation of the County, and any annual charges are ultimately payable by the County from the levy of *ad valorem* taxes on all the taxable real property within the jurisdiction of the County in amounts sufficient to enable the County to meet its obligations under the Deficiency Agreement. ***To date, no payments have been required to be made by the County pursuant to the Deficiency Agreement***. The County and the CCMUA may agree to amend the Deficiency Agreement at any time to increase the obligations of the County thereunder.

The CCMUA owns and operates a sewage collection and treatment system which serves all County residents connected to local sewer collection systems. The CCMUA's system does not include the local sewage collection system of any CCMUA participant, but it owns and operates interceptor sewer lines connecting the local systems to the CCMUA's sewage treatment facilities.

The CCMUA is required to charge and collect service charges for the use of its facilities such that revenues of the CCMUA will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay punctually the principal of and interest on any bonds and notes of the CCMUA and to maintain reserves and sinking funds therefor as may be required by the terms of any agreements with the holders thereof.

The gross debt as of December 31, 2017 for the CCMUA was $171,431,116. The County guarantees up to $685,500,000 of debt issued by the CCMUA.

Camden County Improvement Authority

The Camden County Improvement Authority ("CCIA") is a public body corporate and politic of the State and was created by a resolution of the County Board. The CCIA operates under the supervision of a five (5) member Board who are appointed for five (5) year staggered terms by the County Board. The CCIA has from time to time issued its revenue bonds for projects involving the County and for which the County has a repayment obligation or guaranty. The CCIA also issues conduit debt from time to time which is not included in the overlapping debt as there is no obligation by the taxpayers to repay the associated debt service.

The amount of debt which the County has guaranteed or for which it has a repayment obligation as of December 31, 2017 was $432,082,097.

Personnel

The Township currently employs approximately 295 persons on a full-time year-round basis, of whom 131 are police officers.

Township Population (1)

2010	Federal Census	66,058
2000	Federal Census	64,350
1990	Federal Census	53,797
1980	Federal Census	45,156
1970	Federal Census	26,511

(1) Source: U.S. Department of Commerce, Bureau of Census.

Selected Census 2014 Data for the Township(1)

Median household income	$72,699
Median family income	$84,642
Per capita income	$30,792

Labor Force(2)

The following table discloses current labor force data for the Township, County and State.

	2013	2014	2015	2016	2017
Township					
Labor Force	35,593	34,948	35,233	35,314	35,427
Employed	32,564	32,416	33,232	33,542	33,804
Unemployed	3,029	2,532	2,001	1,772	1,623
Unemployment	8.5%	7.2%	5.7%	5.0%	4.6%
County					
Labor Force	258,486	252,870	255,354	256,005	256,929
Employment	234,463	233,430	239,308	241,947	243,835
Unemployment	24,023	19,440	16,046	14,058	13,094
Unemployment Rate	9.3%	7.7%	6.3%	5.5%	5.1%
State					
Labor Force	4,528,500	4,513,600	4,543,800	4,530,800	4,518,800
Employment	4,157,600	4,209,700	4,288,800	4,305,500	4,309,700
Unemployment	370,800	303,900	255,000	225,300	209,100
Unemployment Rate	8.2%	6.7%	5.6%	5.0%	4.6%

Business and Industry

There is, at present, modest industrial activity in the Township. The Gloucester Premium Outlets opened August 13, 2015. The outlets consist of 450,000 square-foot shopping center with over 90 high end retail stores. The outlets are located on State Route 42 with a specific interchange for the outlets. The Chews Landing Park is located in Chews Landing on State Route 42 and Lower Landing Road. Approximately 25 acres in size and zoned for office and light industry, the industrial park contains U.S. Vision, three office buildings, a storage facility, and Marble and Granite Works. The Freeway Industrial Park is located on Orr Road off of State Route 42, and is approximately 112 acres in size. The Commerce Center Industrial Park, a warehouse and office park, is also located on State Route 42 and Lower Landing Road. The Cross Keys Industrial Site is a newly designated industrial area located on Cross Keys Road and the Atlantic City Expressway, with 150 acres available for development/redevelopment. The Township estimates that there are 21 light industrial concerns in various sections of the Township. A recently completed commercial center includes a bank, three national fast food restaurants, a major-chain food market in a 60,000 square foot building, plus 140,000 square feet of retail stores and service centers. In addition, there is a 30-store K-Mart Shopping Center on Blackwood-Clementon Road. The Marketplace Shopping Center located on Chews Landing-Clementon Road contains a 55,000 square foot ShopRite supermarket and various strip stores with 15,000 square foot of office space. The majority of retail stores are located along the Black Horse Pike (State Route 168) and Blackwood-Clementon Road.

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(1) Source: U.S. Department of Commerce, Bureau of Census.
(2) Source: New Jersey Department of Labor

Building, Zoning and Development Codes(1)

The Township has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building.

The Township building codes conform to standards of the Uniform Construction Code of the State. These codes and other municipal codes are codified as a basis for improved administration and regulation.

The Township adopted The Municipal Land Use Law, which gives the Township Zoning Board of Adjustment and Planning Board authority to regulate most land use other than family residential use. In this way, the Township is able to guide the approximate use or development of land to promote the public health, safety, morals and general welfare.

Building Permits(1)

Year	Number of Permits Issued	Value of Construction
2018(2)	2,055	$44,360,926
2017	3,987	74,952,460
2016	4,071	99,016,630
2015	3,841	128,205,577
2014	2,811	119,580,328
2013	2,305	99,650,937

MAJOR COUNTY PRIVATE SECTOR EMPLOYERS(3)

Name	Approximate Employment
Cooper Health System	7,000
Virtua Health System	2,500
Campbell Soup Company	2,300
Our Lady of Lourdes Medical Center	2,000
American Water	2,000
TD Bank	1,300
Jefferson Health System	1,256
Aluminum Shapes	1,000
Lockheed Martin	800

(1) Source: Township's Construction office
(2) As of August 15, 2018
(3) Source: County of Camden

CERTAIN TAX INFORMATION

TEN LARGEST TAXPAYERS(1)

Name of Taxpayer	Nature of Business	2018 Assessed Valuation
HP Altman Autumn Ridget LLC	Housing	$ 35,162,900
SDK Millbridge Gardens LLC	Housing	33,388,000
Camden County Realty LLC	Shopping Center	28,090,300
Lakeview Reality Investment Assoc	Housing	22,360,500
Korman Residential Properties	Housing	18,773,500
East Coast Fairways Apart.	Housing	16,145,500
Jemstone Crosskeys LLC	Shopping Center	15,436,000
Paramount Realty SVCS, LLC	Shopping Center	11,570,800
Target Corporation	Shopping Center	10,913,800
Lowe's Home Centers Inc	Shopping Center	10,674,800

CURRENT TAX COLLECTIONS(2)

		Collected in Year of Levy		Delinquent Taxes	
Year	Total Levy	Amount	Percentage	Amount	Percentage
2017	$ 168,270,441	$ 167,631,925	99.62%	$ 6,287	0.00%
2016	165,207,162	164,549,102	99.60%	11,125	0.01%
2015	154,505,315	153,889,654	99.60%	10,706	0.01%
2014	154,799,199	154,261,292	99.65%	2,915	0.00%
2013	146,698,570	145,883,276	99.44%	3,647	0.00%

DELINQUENT TAXES(2)

	Outstanding		Collected		Transferred	Other	Outstanding
Year	Jan. 1	Added	Amount	Percentage	to Liens	Credits	Dec. 31
2017	$ 141,212	$ 88,006	$ 110,160	48.06%	-	$ 655	$ 118,403
2016	162,079	76,599	107,825	45.18%	-	766	130,087
2015	207,359	67,044	91,422	33.32%	$ 24,582	7,026	151,373
2014	302,359	68,285	161,522	43.58%	-	1,728	207,395
2013	225,286	275,802	150,523	30.04%	41,771	6,471	302,323

(1) Source: Township Tax Assessor
(2) Source: Annual Audit Reports

TAX TITLE LIENS(1)

Year	Balance Jan. 1	Added by Sales and Transfers	Collected	Cancellations/ Foreclosures	Balance Dec. 31
2017	$ 1,039,001	$ 266,613	$ 100,080	$ 237,685	$ 967,849
2016	1,112,370	276,860	195,839	154,390	1,039,001
2015	962,001	320,429	170,060	-	1,112,370
2014	753,373	315,128	106,500	-	962,001
2013	653,643	406,023	306,293	-	753,373

FORECLOSED PROPERTY(1)(2)

Year	Balance Jan. 1	Added By Transfer	Adjustments	Balance Dec. 31
2017	$ 703,300	$ 237,684	$ 704,716	$ 1,645,700
2016	-	146,580	556,720	703,300
2015	-	-	-	-
2014	-	-	-	-
2013	-	-	-	-

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES(3)

		Tax Rate (4)				
Year	Net Valuation Taxable	Total Rate	County	Local School	Regional High School	Municipal
2018	$ 4,393,804,300	$ 3.789	$ 0.897	$ 1.147	$ 0.637	$ 1.108
2017	4,396,570,200	3.666	0.869	1.141	0.625	1.031
2016	4,411,876,400	3.583	0.849	1.102	0.604	1.028
2015	4,447,441,000	3.322	0.812	1.062	0.530	0.918
2014	4,406,383,200	3.304	0.797	1.040	0.542	0.925

(1) Source: Annual Audit Reports
(2) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.
(3) Source: Township Tax Collector
(4) Per $100 of assessed valuation, excluding Special District Taxes

SPECIAL DISTRICT TAXES (1)

Year	Total	Fire No. 1	Fire No. 2	Fire No. 3	Fire No. 4	Fire No. 5	Fire No. 6
2018	$ 0.924	$ 0.087	$ 0.146	$ 0.093	$ 0.242	$ 0.211	$ 0.145
2017	0.885	0.085	0.146	0.093	0.214	0.206	0.141
2016	0.874	0.085	0.147	0.093	0.205	0.202	0.142
2015	0.835	0.083	0.145	0.091	0.189	0.190	0.137
2014	0.828	0.081	0.149	0.090	0.180	0.196	0.132

RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA(2)

Year	Real Property Assessed Valuation	Percentage of True Value	True Value	True Value per Capita	
2018	$ 4,387,277,300	100.64%	$ 4,359,377,285	$ 67,447	(3)
2017	4,390,203,000	100.64%	4,362,284,380	67,492	(3)
2016	4,405,474,100	103.23%	4,267,629,662	66,028	(3)
2015	4,440,891,600	104.23%	4,260,665,451	65,920	(3)
2014	4,400,011,900	108.19%	4,066,930,308	62,922	(3)

REAL PROPERTY CLASSIFICATION(4)

Year	Assessed Value of Land and Improvements	Vacant Land	Residential	Commercial	Industrial	Apartments	Farmland
2018	$ 4,387,277,300	$ 42,479,100	$ 3,749,847,700	$ 380,617,300	$ 47,616,500	$ 159,657,900	$ 7,058,800
2017	4,390,203,000	55,792,000	3,748,429,200	371,648,000	47,998,900	159,657,900	6,677,000
2016	4,405,474,100	55,182,400	3,762,790,300	373,582,200	47,981,100	159,262,700	6,675,400
2015	4,440,891,600	54,885,800	3,792,784,400	375,824,800	49,999,300	160,526,700	6,870,600
2014	4,400,011,900	43,112,300	3,798,043,600	337,565,300	53,742,100	160,579,500	6,969,100

(1) Source: Township Tax Collector. Rates expressed as dollars (fractions) / $100 assessed value.
(2) Source: State of New Jersey, Department of Treasury, Division of Taxation
(3) Based upon Federal Census 2010 of 64,634
(4) Source: Township Tax Assessor

TOWNSHIP OF GLOUCESTER
STATEMENT OF INDEBTEDNESS
AS OF JUNE 30, 2018

The following table summarizes the direct debt of the Township of Gloucester as of June 30, 2018. The gross debt comprises long and short-term debt issued and debt authorized but not issued, including General, debt of the Township of Gloucester School District and debt of the Black Horse Pike Regional School District. Deductions from gross debt to arrive at net debt include deductible local and regional school debt and reserve for payment of debt. The resulting net debt of $67,747,479 represents 1.58% of the average of equalized valuations for the Township for the last three years, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued				Deductions		
	Bonds and Loans	Bond Anticipation Notes	Authorized But Not Issued	Gross Debt	School Debt	Reserve for Payment of Debt	Net Debt
General (1)	$ 33,792,547	$ 27,294,801	$ 6,752,091	$ 67,839,439		$ 91,960	$ 67,747,479
School - Regional (1)(2)	4,607,101			4,607,101	$ 4,607,101		
School - Local (1)	4,115,000			4,115,000	4,115,000		
	$ 42,514,648	$ 27,294,801	$ 6,752,091	$ 76,561,541	$ 8,722,101	$ 91,960	$ 67,747,479

(1) Source: Township Officials
(2) Allocated based on percentage of average equalized valuations

DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements and Second Class Railroad Property for 2015, 2016 and 2017	$ 4,296,859,831
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	1.58%
2018 Net Valuation Taxable	$ 4,393,804,300
2018 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	$ 4,365,904,285
Gross Debt (2):	
As a percentage of 2018 Net Valuation Taxable	1.74%
As a percentage of 2018 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.75%
Net Debt (2):	
As a percentage of 2018 Net Valuation Taxable	1.54%
As a percentage of 2018 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.55%
Gross Debt Per Capita (3)	$ 1,185
Net Debt Per Capita (3)	$ 1,048

TOWNSHIP BORROWING CAPACITY(1)

3.5% of Averaged (2015-17) Equalized Valuation of Real Property including Improvements ($4,295,993,439)	$ 150,390,094
Net Debt	67,747,479
Remaining Borrowing Capacity	$ 82,642,615

LOCAL SCHOOL DISTRICT BORROWING CAPACITY(1)

3% of Averaged (2015-17) Equalized Valuation of Real Property including Improvements ($4,295,993,439)	$ 128,905,795
School Debt	4,115,000
Remaining Borrowing Capacity	$ 124,790,795

REGIONAL HIGH SCHOOL DISTRICT BORROWING CAPACITY (1)

3% of Average (2015-17) Equalized Valuation of Real Property including Improvements ($5,550,326,674)	$ 166,535,792
Regional School Debt(4)	5,952,000
Remaining Borrowing Capacity	$ 160,583,792

(1) As of June 30, 2018
(2) Excluding overlapping debt
(3) Based on Federal 2010 Census of 64,634
(4) Debt portion allocated to the Township $4,607,101

TOWNSHIP OF GLOUCESTER
OVERLAPPING DEBT AS OF DECEMBER 31, 2017

	DEBT ISSUED					
	Debt Outstanding	Deductions		Statutory Net Debt Outstanding	Net Debt Outstanding Allocated to the Issuer		Debt Auth. but not Issued
County of Camden(1):							
General:							
Bonds	$ 36,125,000	$ 8,342,385	(2)	$ 27,782,615	$ 3,153,327	(4)	$ 11,960,225
Notes	35,461,125			35,461,125	4,024,838	(4)	
Loan Agreements	314,966,900			314,966,900	35,748,743	(4)	
Bonds Issued by Other Public Bodies Guaranteed by the County	276,594,254	276,594,254	(3)				
Gloucester Township MUA(5)	8,315,296			8,315,296	8,315,296		
Gloucester Township Fire Districts(5)	480,000			480,000	480,000		
	$ 671,942,574	$ 284,936,639		$ 387,005,935	$ 51,722,203		$ 11,960,225

(1) Source: County of Camden
(2) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds.
(3) Deductible in accordance with N.J.S. 40:37A-80.
(4) Such debt is allocated as a proportion of the Issuer's share of the total 2017 Net Valuation on which County taxes are apportioned, which is 11.35%.
(5) Source: Entity's Audit Report

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF DEBT SERVICE
(BONDED DEBT ONLY)

Fiscal Year	Existing Debt(1)			Refunding Bonds, Series 2018			Totals		
July 1 to June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018-2019	$ 965,000.00	$ 164,600.00	$ 1,129,600.00				$ 965,000.00	$ 164,600.00	$ 1,129,600.00
2019-2020	1,010,000.00	126,000.00	1,136,000.00				1,010,000.00	126,000.00	1,136,000.00
2020-2021	1,050,000.00	85,600.00	1,135,600.00				1,050,000.00	85,600.00	1,135,600.00
2021-2022	1,090,000.00	43,600.00	1,133,600.00				1,090,000.00	43,600.00	1,133,600.00
	$ 4,115,000.00	$ 419,800.00	$ 4,534,800.00	$ -	$ -	$ -	$ 4,115,000.00	$ 419,800.00	$ 4,534,800.00

(1) As of June 30, 2018

APPENDIX B

FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE TOWNSHIP OF GLOUCESTER, IN THE COUNTY OF CAMDEN, NEW JERSEY

FISCAL YEAR 2017

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Gloucester Township School District
County of Camden

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gloucester Township School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gloucester Township School District, in the County of Camden, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Gloucester School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017, includes certain required supplementary information and other information, that is not included with this presentation of the basic financial statements.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Todd R Saler

Todd R. Saler
Certified Public Accountant
Public School Accountant No. CS 02195

Voorhees, New Jersey
November 28, 2017

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 5,579,357.02	$ 1,567,443.07	$ 7,146,800.09
Receivables, net	6,581,605.19	94,429.38	6,676,034.57
Inventory		21,825.10	21,825.10
Restricted Assets:			
Restricted Cash and Cash Equivalents	1,760,475.00		1,760,475.00
Capital Reserve Account - Cash	7,324,485.81		7,324,485.81
Capital Assets, net	51,732,479.50	140,322.70	51,872,802.20
Total Assets	72,978,402.52	1,824,020.25	74,802,422.77
DEFERRED OUTFLOW OF RESOURCES:			
Deferred Loss on Refunding of Debt	72,370.87		72,370.87
Related to Pensions	12,306,272.00		12,306,272.00
Total Deferred Outflows of Resources	12,378,642.87	-	12,378,642.87
LIABILITIES:			
Accounts Payable	3,136,661.50	32,927.83	3,169,589.33
Payable to State Government	86,617.00		86,617.00
Estimated Worker's Compensation Claims Payable	474,214.50		474,214.50
Unearned Revenue	16,479.80	126,870.66	143,350.46
Accrued Interest Payable	87,778.77		87,778.77
Noncurrent Liabilities:			
Due within One Year	3,206,303.16		3,206,303.16
Due beyond One Year	47,687,723.77	159,648.00	47,847,371.77
Total Liabilities	54,695,778.50	319,446.49	55,015,224.99
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions	1,409,109.00	-	1,409,109.00
NET POSITION:			
Net Investment in Capital Assets	43,564,510.94	140,322.70	43,704,833.64
Restricted for:			
Capital Projects	7,324,485.81		7,324,485.81
Other Purposes	7,668,423.60		7,668,423.60
Unrestricted (Deficit)	(29,305,262.46)	1,364,251.06	(27,941,011.40)
Total Net Position	$ 29,252,157.89	$ 1,504,573.76	$ 30,756,731.65

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital 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:							
Regular	$ 37,127,570.83		$ 2,688,837.33		$ (34,438,733.50)		$ (34,438,733.50)
Special Education	10,074,219.98				(10,074,219.98)		(10,074,219.98)
Other Special Instruction	250,120.44				(250,120.44)		(250,120.44)
Other Instruction	1,473,382.83				(1,473,382.83)		(1,473,382.83)
Nonpublic School Programs	232.17				(232.17)		(232.17)
Community Services Programs / Operations	1,539.00				(1,539.00)		(1,539.00)
Support Services:							
Tuition	5,960,811.82				(5,960,811.82)		(5,960,811.82)
Student and Instruction Related Services	8,760,979.80		595,432.76		(8,165,547.04)		(8,165,547.04)
School Administrative Services	3,531,135.47				(3,531,135.47)		(3,531,135.47)
General and Business Administrative Services	3,362,919.73				(3,362,919.73)		(3,362,919.73)
Plant Operations and Maintenance	7,594,093.29				(7,594,093.29)		(7,594,093.29)
Pupil Transportation	8,121,944.55	$ 1,494,913.00			(6,627,031.55)		(6,627,031.55)
Unallocated Benefits	54,708,519.60		34,839,081.47		(19,869,438.13)		(19,869,438.13)
Transfer to Charter School	1,485,113.00				(1,485,113.00)		(1,485,113.00)
Interest on Long-Term Debt	226,552.84		82,809.60		(143,743.23)		(143,743.23)
Total Governmental Activities	142,679,135.35	1,494,913.00	38,206,161.16	-	(102,978,061.18)	-	(102,978,061.18)
Business-Type Activities:							
Food Service	2,595,542.03	1,053,509.38	1,626,753.43			$ 84,720.78	84,720.78
Latchkey	1,108,580.59	1,487,690.55				379,109.96	379,109.96
Total Business-Type Activities	3,704,122.62	2,541,199.93	1,626,753.43	-	-	463,830.74	463,830.74
Total Government	$ 146,383,257.97	$ 4,036,112.93	$ 39,832,914.59	$ -	(102,978,061.18)	463,830.74	(102,514,230.44)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					47,270,580.00		47,270,580.00
Taxes Levied for Debt Service					2,419,658.00		2,419,658.00
Federal and State Aid not Restricted					53,520,924.49		53,520,924.49
Investment Earnings					22,630.41	1,405.41	24,035.82
Miscellaneous Income					1,095,673.53		1,095,673.53
Loss on Disposal of Capital Assets					(75,636.68)		(75,636.68)
Total General Revenues and Loss on Disposal of Capital Assets					104,253,829.75	1,405.41	104,255,235.16
Change in Net Position					1,275,768.56	465,236.15	1,741,004.71
Net Position -- July 1					27,976,389.32	1,039,337.61	29,015,726.93
Net Position -- June 30					$ 29,252,157.88	$ 1,504,573.76	$ 30,756,731.64

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$ 6,336,533.60		$ 349,964.09		$ 6,686,497.69
Interfund Accounts Receivable	1,434,275.76			$ 20,554.98	1,454,830.74
Receivables from Other Governments	5,414,469.38	$ 743,480.00			6,157,949.38
Restricted Cash and Cash Equivalents	7,324,485.81				7,324,485.81
Total Assets	$ 20,509,764.55	$ 743,480.00	$ 349,964.09	$ 20,554.98	$ 21,623,763.62
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 1,681,675.69	$ 188,203.55			$ 1,869,879.24
Interfund Accounts Payable	20,554.98	452,179.65	$ 349,964.09		822,698.72
Estimated Worker's Compensation Claims Payable	366,558.50				366,558.50
Payable to State Government		86,617.00			86,617.00
Unearned Revenue		16,479.80			16,479.80
Total Liabilities	2,068,789.17	743,480.00	349,964.09	-	3,162,233.26
Fund Balances:					
Restricted:					
Debt Service				$ 20,554.98	20,554.98
Capital Reserve Account	7,324,485.81				7,324,485.81
Maintenance Reserve Account	745,889.58				745,889.58
Emergency Reserve Account	664,621.33				664,621.33
Tuition	200,000.00				200,000.00
Tuition--Designated for Subsequent Year's Expenditures	200,000.00				200,000.00
Excess Surplus--Current Year	479,510.69				479,510.69
Excess Surplus--Designated for Subsequent Year's Expenditures	5,378,402.00				5,378,402.00

(Continued)

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (CONTINUED):					
Fund Balances (Continued):					
Assigned:					
Other Purposes	$ 474,619.53				$ 474,619.53
Designated for Subsequent Year's Expenditures--SEMI/ARRA	23,438.21				23,438.21
Unassigned	2,950,008.23				2,950,008.23
Total Fund Balances	18,440,975.38	-	-	$ 20,554.98	18,461,530.36
Total Liabilities and Fund Balances	$ 20,509,764.55	$ 743,480.00	$ 349,964.09	$ 20,554.98	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:	
The Internal Service Fund is used to account for the financing of student transportation services to the district and other school districts. Student transportation services are governmental activities. This amount is the unrestricted net position in the Internal Service Fund.	313,864.86
Interest on long-term debt in the statement of activities is accrued, regardless of when due.	(87,778.77)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $95,997,404.74, and the accumulated depreciation is $44,264,925.24.	51,732,479.50
Deferred loss on refunding of debt is a consumption of net position that is applicable to a future reporting period and therefore is not reported in the funds.	72,370.87
Long-term liabilities, including bonds payable, compensated absences payable, capital leases payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(50,894,026.93)
Deferred outflows and deferred inflows related to pensions represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore, such amounts are not reported in the fund financial statements.	10,897,163.00
Accounts Payable related to the April 1, 2018 Required PERS pension contribution that is not to be liquidated with current financial resources.	(1,243,445.00)
Net position of governmental activities	$ 29,252,157.89

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Tax Levy	$ 47,270,580.00			$ 2,419,658.00	$ 49,690,238.00
Miscellaneous	1,117,965.53		$ 338.41		1,118,303.94
State Sources	64,891,425.85	$ 529,566.42		1,050,839.00	66,471,831.27
Federal Sources	228,997.18	2,925,273.20			3,154,270.38
Total Revenues	113,508,968.56	3,454,839.62	338.41	3,470,497.00	120,434,643.59
EXPENDITURES:					
Current:					
Regular Instruction	33,368,327.14	2,688,837.33			36,057,164.47
Special Education Instruction	10,074,219.98				10,074,219.98
Other Special Instruction	245,415.00				245,415.00
Other Instruction	1,473,382.83				1,473,382.83
Community Service Programs/Operations	1,539.00				1,539.00
Support Services and Undistributed Costs:					
Tuition	5,960,811.82				5,960,811.82
Student and Instruction Related Services	8,151,409.15	595,432.76			8,746,841.91
School Administrative Services	3,524,317.98				3,524,317.98
Other Administrative Services	3,117,420.31			102,594.15	3,220,014.46
Plant Operations and Maintenance	6,848,096.92				6,848,096.92
Pupil Transportation	3,758,075.78				3,758,075.78
Unallocated Benefits	30,060,216.10				30,060,216.10
Transfer to Charter School	1,485,113.00				1,485,113.00
Debt Service:					
Principal				3,180,000.00	3,180,000.00
Interest and Other Charges				272,031.55	272,031.55
Capital Outlay	1,684,410.97	170,569.53	3,755.00		1,858,735.50
Total Expenditures	109,752,755.98	3,454,839.62	3,755.00	3,554,625.70	116,765,976.30

(Continued)

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Excess (Deficiency) of Revenues over Expenditures	$ 3,756,212.58	-	$ (3,416.59)	$ (84,128.70)	$ 3,668,667.29
OTHER FINANCING SOURCES (USES):					
Capital Leases (Non-Budgeted)	567,485.00				567,485.00
Proceeds of Refunding Bonds				4,570,000.00	4,570,000.00
Premium on Refunding Bonds				426,620.15	426,620.15
Payment to Refunded Bond Escrow Account				(4,894,026.00)	(4,894,026.00)
Operating Transfers In/Out	(2,913,873.70)	-	(350,302.50)	338.41	(3,263,837.79)
Total Other Financing Sources and Uses	(2,346,388.70)	-	(350,302.50)	102,932.56	(2,593,758.64)
Net Change in Fund Balances	1,409,823.88	-	(353,719.09)	18,803.86	1,074,908.65
Fund Balance -- July 1	17,031,151.50	-	353,719.09	1,751.12	17,386,621.71
Fund Balance -- June 30	$ 18,440,975.38	$ -	$ -	$ 20,554.98	$ 18,461,530.36

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds		$ 1,074,908.65
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	$ (2,028,509.88)	
Capital Outlays (Exclusive of SDA Debt Service Aid Assessment)	1,858,735.50	
		(737,259.38)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		3,180,000.00
The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(85,461.04)
The Internal Service Fund is used by management to charge the costs of providing student transportation services to the district and other school districts. This amount is the change in net position for the Internal Service fund, exclusive of any gain/(loss) on disposal of Internal Service Fund capital assets.		438,190.91
Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.		28,345.61
The net effect of various miscellaneous transactions involving capital assets (I.e., disposals and donations) is to decrease net position.		(75,636.68)
In the statement of activities, certain operating expenses, (e.g., compensated absences) 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). This amount is the net effect of the difference in treatment of compensated absences.		(167,135.50)
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		(2,380,184.00)
Change in Net Position of Governmental Activities		$ 1,275,768.56

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Service	Latchkey	Totals	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	$ 267,870.31	$ 1,299,572.76	$ 1,567,443.07	$ 653,334.33
Accounts Receivable:				
State	1,511.88		1,511.88	
Federal	88,956.23		88,956.23	
Other Governments				404,459.00
Other	3,961.27		3,961.27	
Interfund	6,202.70		6,202.70	
Inventories	21,825.10		21,825.10	
Total Current Assets	390,327.49	1,299,572.76	1,689,900.25	1,057,793.33
Noncurrent Assets:				
Equipment	1,434,054.43	98,826.18	1,532,880.61	5,443,770.06
Less Accumulated Depreciation	(1,297,207.05)	(95,350.86)	(1,392,557.91)	(3,941,753.76)
Total Noncurrent Assets	136,847.38	3,475.32	140,322.70	1,502,016.30
Total Assets	527,174.87	1,303,048.08	1,830,222.95	2,559,809.63
LIABILITIES:				
Current Liabilities:				
Accounts Payable	32,086.86	840.97	32,927.83	23,337.26
Interfund Accounts Payable		6,202.70	6,202.70	612,935.21
Estimated Worker's Compensation Claims Payable				107,656.00
Unearned Revenue	24,880.53	101,990.13	126,870.66	
Total Current Liabilities	56,967.39	109,033.80	166,001.19	743,928.47
Noncurrent Liabilities:				
Compensated Absences Payable	114,270.00	45,378.00	159,648.00	-
Total Noncurrent Liabilities	114,270.00	45,378.00	159,648.00	-
Total Liabilities	171,237.39	154,411.80	325,649.19	743,928.47
NET POSITION:				
Net Investment in Capital Assets	136,847.38	3,475.32	140,322.70	1,502,016.30
Unrestricted	219,090.10	1,145,160.96	1,364,251.06	313,864.86
Total Net Position	$ 355,937.48	$ 1,148,636.28	$ 1,504,573.76	$ 1,815,881.16

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Fund
	Food Service	Latchkey	Total Enterprise	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales - Reimbursable Programs	$ 146,338.05		$ 146,338.05	
Daily Sales - Non-Reimbursable Programs	843,302.75		843,302.75	
Special Functions	63,039.83		63,039.83	
Community Service Activities		$ 1,487,690.55	1,487,690.55	
Transportation Fees from LEA				$ 3,263,837.79
Transportation Fees from Other LEA's Within the State				1,494,913.00
Miscellaneous	828.75		828.75	
Total Operating Revenues	1,053,509.38	1,487,690.55	2,541,199.93	4,758,750.79
OPERATING EXPENSES:				
Salaries	892,925.26	478,262.24	1,371,187.50	1,702,526.71
Employee Benefits	626,351.08	364,454.46	990,805.54	1,321,247.57
Purchased Professional Services	30,862.00	11,618.00	42,480.00	19,511.32
Cleaning, Repair and Maintenance Services	35,620.94		35,620.94	102,689.72
Other Purchased Services:				
Contracted Services (Other Than Between Home and School)				294,858.75
Insurance				147,794.00
Miscellaneous				380.00
Purchased Property Services		175,000.00	175,000.00	
Communications/Telephone		6,458.20	6,458.20	
Travel	885.55	196.78	1,082.33	
General Supplies	62,246.77	43,200.71	105,447.48	
Transportation Supplies				166,296.13
Gasoline				200,403.68
Depreciation	32,706.22	1,520.91	34,227.13	330,620.62
Cost of Sales:				
Reimbursable Programs	726,124.29		726,124.29	
Non-reimbursable Programs	186,820.00		186,820.00	
Miscellaneous Expense	999.92	27,869.29	28,869.21	34,231.38
Total Operating Expenses	2,595,542.03	1,108,580.59	3,704,122.62	4,320,559.88
Operating Income (Loss)	(1,542,032.65)	379,109.96	(1,162,922.69)	438,190.91
NONOPERATING REVENUES (EXPENSES):				
State Sources:				
State School Lunch Program	27,502.94		27,502.94	
Federal Sources:				
National School Lunch Program	1,141,720.84		1,141,720.84	
National School Breakfast Program	311,294.74		311,294.74	
After School Snack Program	8,809.50		8,809.50	
Special Milk Program	291.07		291.07	
Food Distribution Program	137,134.34		137,134.34	
Interest and Investment Revenue	261.34	1,144.07	1,405.41	
Total Nonoperating Revenues (Expenses)	1,627,014.77	1,144.07	1,628,158.84	-
Income (Loss) before Contributions and Transfers	84,982.12	380,254.03	465,236.15	438,190.91
Change in Net Position	84,982.12	380,254.03	465,236.15	438,190.91
Total Net Position -- July 1	270,955.36	768,382.25	1,039,337.61	1,377,690.25
Total Net Position -- June 30	$ 355,937.48	$ 1,148,636.28	$ 1,504,573.76	$ 1,815,881.16

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Service	Latchkey	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	$ 1,047,614.63	$ 1,481,067.76	$ 2,528,682.39	$ 5,747,049.79
Payments to Employees	(892,925.26)	(478,262.24)	(1,371,187.50)	(1,702,526.71)
Payments for Employee Benefits	(616,255.08)	(375,355.46)	(991,610.54)	(1,319,535.57)
Payments to Suppliers	(1,007,436.21)	(259,401.35)	(1,266,837.56)	(954,383.70)
Net Cash Provided by (used for) Operating Activities	(1,469,001.92)	368,048.71	(1,100,953.21)	1,770,603.81
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State Sources	26,851.65		26,851.65	
Federal Sources	1,559,780.93		1,559,780.93	
Interfunds Receivable				(565,728.28)
Operating Subsidies and Transfers to Other Funds	(45,436.50)	(113,266.18)	(158,702.68)	
Net Cash Provided by (used for) Non-Capital Financing Activities	1,541,196.08	(113,266.18)	1,427,929.90	(565,728.28)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Capital Assets	(31,974.35)	-	(31,974.35)	(551,541.20)
Net Cash Provided by (used for) Capital and Related Financing Activities	(31,974.35)	-	(31,974.35)	(551,541.20)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends	261.34	1,144.07	1,405.41	-
Net Cash Provided by (used for) Investing Activities	261.34	1,144.07	1,405.41	-
Net Increase (Decrease) in Cash and Cash Equivalents	40,481.15	255,926.60	296,407.75	653,334.33
Balances -- July 1	227,389.16	1,043,646.16	1,271,035.32	-
Balances -- June 30	$ 267,870.31	$ 1,299,572.76	$ 1,567,443.07	$ 653,334.33
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (1,542,032.65)	$ 379,109.96	$ (1,162,922.69)	$ 438,190.91
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:				
Depreciation and Net Amortization	32,706.22	1,520.91	34,227.13	330,620.62
(Increase) Decrease in Inventories	4,147.28		4,147.28	
(Increase) Decrease in Interfund Accounts Receivable	(6,202.70)		(6,202.70)	
Increase (Decrease) in Accounts Payable	31,975.98	(1,261.07)	30,714.91	11,781.28
Increase (Decrease) in Accrued Salaries Benefits	10,096.00	(10,901.00)	(805.00)	
(Increase) Decrease in Accounts Receivable, net	(798.39)		(798.39)	988,299.00
Increase (Decrease) in Unearned Revenue	1,106.34	(6,622.79)	(5,516.45)	
Increase (Decrease) in Estimated Worker's Comp Claims Payable				1,712.00
Increase (Decrease) in Interfund Accounts Payable		6,202.70	6,202.70	
Total Adjustments	73,030.73	(11,061.25)	61,969.48	1,332,412.90
Net Cash Provided by (used for) Operating Activities	$ (1,469,001.92)	$ 368,048.71	$ (1,100,953.21)	$ 1,770,603.81

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	Private-Purpose Trust Fund	Agency Funds	
	Unemployment Compensation	Student Activity	Payroll
ASSETS:			
Cash and Cash Equivalents	$ 1,377,387.21	$ 166,802.96	$ 91,042.33
Receivables from Other Governments			3,243.74
Intrafund Accounts Receivable	29,607.21		
Other Accounts Receivable		4,284.00	
Total Assets	1,406,994.42	$ 171,086.96	$ 94,286.07
LIABILITIES:			
Accounts Payable	6,852.63		
Interfund Accounts Payable			$ 19,196.81
Intrafund Accounts Payable			29,607.21
Payable to Student Groups		$ 171,086.96	
Payroll Deductions and Withholdings			45,482.05
Total Liabilities	6,852.63	$ 171,086.96	$ 94,286.07
NET POSITION:			
Held in Trust for Unemployment Claims and Other Purposes	1,400,141.79		
Total Net Position	$ 1,400,141.79		

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2017

	Private-Purpose Trust Fund Unemployment Compensation Trust
ADDITIONS:	
Contributions:	
Employee Salary Deductions	$ 98,439.06
Investment Earnings:	
Interest	1,285.78
Total Additions	99,724.84
DEDUCTIONS:	
Unemployment Claims	54,264.41
Total Deductions	54,264.41
Change in Net Position	45,460.43
Net Position -- July 1	1,354,681.36
Net Position -- June 30	$ 1,400,141.79

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gloucester Township School District (the "School District") have been prepared to conform 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 following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades K-8 at its eight elementary and three middle schools. The School District has an approximate enrollment at June 30, 2017 of 6,360.

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

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the School District has no component units.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property 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 is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Internal service funds are aggregated and presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Camden County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year 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 cash is received by the School District.

The School District reports the following major governmental funds:

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

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Special Revenue Fund **-** The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund **-** The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

Debt Service Fund **-** The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary 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 a proprietary fund's principal ongoing operations. Operating expenses for the internal service funds include salaries, benefits, administrative expenses, and other transportation related expenses. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary funds:

Food Service Fund **-** This fund accounts for the financial transactions related to the food service operations of the School District.

Latchkey Fund - This fund accounts for financial activity related to providing day care services for School District students before and after school and during the summer.

Internal Service Fund – Transportation Services – This fund has been established to account for the financing of transportation services provided by the Gloucester Township School District for use by the Black Horse Pike Regional School District, as well as for the Gloucester Township School District itself. Services are provided on a cost-reimbursement basis.

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into two classifications: private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

Agency Funds **-** Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

Private-Purpose Trust Funds **-** Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds:

New Jersey Unemployment Compensation Insurance Trust Fund - Revenues consist of contributions that have been included in the annual budget of the School District, employee payroll withholdings, and interest income. Expenditures represent claims incurred for unemployment.

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) charges 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 property taxes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. 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, school districts must record the delayed one or more June state aid payments 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. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibits C-1, C-2 and I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Encumbrances (Cont'd)

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

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

Cash, Cash Equivalents and Investments

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 amount of their deposits to the governmental units.

Inventories

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

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

Inventories recorded in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Tuition Receivable

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The School District's capitalization threshold is $2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Land Improvements	10-20 Years
Buildings and Improvements	10-50 Years
Equipment	4-10 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Outflows and Deferred Inflows of Resources (Cont'd)

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

In addition, the School District reports the following as deferred outflows of resources:

Loss on Refunding of Debt - The loss on refunding arose from the issuance of refunding bonds, which is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2017 and 2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

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

Compensated Absences

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

The School District uses the termination method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

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

Bond Discounts / Premiums

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts / premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position and on the proprietary fund statement of net position.

Net Position

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

***Net Investment in Capital Assets* -** This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

***Restricted* -** Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

***Unrestricted* -** Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable **-** The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted **-** The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed **-** The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned **-** The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for 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 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 expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The School District implemented the following GASB Statements for the fiscal year ended June 30, 2017:

Statement No. 77, *Tax Abatement Disclosures*. This Statement provides financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The adoption of this Statement required the School District to disclose certain information related to tax abatement programs (see note 21).

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement did not have a significant impact on the basic financial statements of the School District.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements that will become effective for the School District for the fiscal year ending June 30, 2018:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has determined that this Statement will have no impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

Note 2: CASH AND CASH EQUIVALENTS (Cont'd)

Custodial Credit Risk Related to Deposits (Cont'd) - As of June 30, 2017, the School District's bank balances of $19,059,405.49 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	$ 18,632,446.26
Uninsured and Uncollateralized	426,959.23
Total	$ 19,059,405.49

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was originally established by the School District by inclusion of $1,000.00 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 School District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a school 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 fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2016		$ 5,769,756.35
Increased by:		
Interest Earnings	$ 4,765.37	
Deposits:		
Completed Capital Projects--Unexpended Funds	349,964.09	
Board Resolution - June 19, 2017	1,000,000.00	
Budgeted Increase	1,000,000.00	
		2,354,729.46
		8,124,485.81
Decreased by:		
Withdrawals:		
Budget Appropriation		800,000.00
Ending Balance, June 30, 2017		$ 7,324,485.81

The June 30, 2017 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted projects. The withdrawals from the capital reserve were for use in Department of Education approved facilities projects, consistent with the School District's LRFP.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of intergovernmental awards and refunds, tax levy and charges, fiduciary funds interfunds and various miscellaneous fees. All intergovernmental receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	Intergovernmental				Fiduciary		
Fund	Federal Awards	State Awards/Refunds	Tax Levy	Transportation Charges	Funds Interfund	Other	Total
Governmental Activities:							
Governmental Funds:							
General		$ 1,273,616.23	$ 4,140,853.15		$ 19,196.81		$ 5,433,666.19
Special Revenue	$ 743,480.00						743,480.00
Proprietary Funds:							
Internal Service				$ 404,459.00			404,459.00
	743,480.00	1,273,616.23	4,140,853.15	404,459.00	19,196.81	-	6,581,605.19
Business-Type Activities:							
Proprietary Funds:							
Food Service	88,956.23	1,511.88	-	-	-	$ 3,961.27	94,429.38
Fiduciary Funds:							
Student Activity						4,284.00	4,284.00
Agency Funds:							
Payroll		3,243.74					3,243.74
	-	3,243.74	-	-	-	4,284.00	7,527.74
	$ 832,436.23	$ 1,278,371.85	$ 4,140,853.15	$ 404,459.00	$ 19,196.81	$ 8,245.27	$ 6,683,562.31

Note 5: INVENTORY

Inventory recorded at June 30, 2017 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	$ 16,042.02
Supplies	5,783.08
	$ 21,825.10

Note 6: CAPITAL ASSETS

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

	Balance July 1, 2016	Increases	Transfers	Decreases	Balance June 30, 2017
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	$ 902,513.50				$ 902,513.50
Construction in Progress	913,071.87	$ 730,483.97	$ (825,102.73)	$ (66,790.96)	751,662.15
Total Capital Assets, not being Depreciated	1,815,585.37	730,483.97	(825,102.73)	(66,790.96)	1,654,175.65
Capital Assets, being Depreciated:					
Land Improvements	5,102,596.25				5,102,596.25
Buildings and Improvements	76,718,917.46		825,583.09		77,544,500.55
Equipment	11,146,088.67	1,679,792.73	(480.36)	(1,129,268.75)	11,696,132.29
Total Capital Assets, being Depreciated	92,967,602.38	1,679,792.73	825,102.73	(1,129,268.75)	94,343,229.09
Total Capital Assets, Cost	94,783,187.75	2,410,276.70	-	(1,196,059.71)	95,997,404.74
Less Accumulated Depreciation for:					
Land Improvements	(2,874,087.64)	(64,029.47)			(2,938,117.11)
Buildings and Improvements	(31,483,015.74)	(1,625,005.09)			(33,108,020.83)
Equipment	(8,669,114.39)	(670,095.94)		1,120,423.03	(8,218,787.30)
Total Accumulated Depreciation	(43,026,217.77)	(2,359,130.50)	-	1,120,423.03	(44,264,925.24)
Total Capital Assets, being Depreciated, Net	49,941,384.61	(679,337.77)	825,102.73	(8,845.72)	50,078,303.85
Governmental Activities Capital Assets, Net	$ 51,756,969.98	$ 51,146.20	$ -	$ (75,636.68)	$ 51,732,479.50
Business-Type Activities:					
Capital Assets, being Depreciated:					
Equipment	$ 1,500,906.26	$ 31,974.35	-	-	$ 1,532,880.61
Total Capital Assets, being Depreciated	1,500,906.26	31,974.35	-	-	1,532,880.61
Less Accumulated Depreciation for:					
Equipment	(1,358,330.78)	(34,227.13)	-	-	(1,392,557.91)
Total Accumulated Depreciation	(1,358,330.78)	(34,227.13)	-	-	(1,392,557.91)
Business-Type Activities Capital Assets, Net	$ 142,575.48	$ (2,252.78)	$ -	$ -	$ 140,322.70

Note 6: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:	
Instruction Regular Programs	$ 1,070,406.36
Instruction Special Programs	4,705.44
Instruction Nonpublic School Programs	232.17
Support Services Students	14,137.89
Support Services General Administration	68,602.68
Support Services School Administration	6,817.49
Support Services Plant Operations and Maintenance	745,996.37
Support Services Pupil Transportation	373,929.51
Support Services Business and Other Support Services	74,302.59
Total Depreciation Expense - Governmental Activities	$ 2,359,130.50
Business-Type Activities:	
Food Service	$ 32,706.22
Latchkey	1,520.91
Total Depreciation Expense - Business-Type Activities	$ 34,227.13

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations for governmental activities:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 10,706,000.00	$ 4,570,000.00	$ (7,986,000.00)	$ 7,290,000.00	$ 3,175,000.00
Plus Amounts:					
Premium on Bonds	94,555.58	426,620.15	(138,321.30)	382,854.43	
Total Bonds Payable	10,800,555.58	4,996,620.15	(8,124,321.30)	7,672,854.43	3,175,000.00
Other Liabilities:					
Obligations under Capital Lease		567,485.00		567,485.00	
Compensated Absences	2,051,583.00	167,135.50		2,218,718.50	31,303.16
Net Pension Liability	31,347,413.00	16,322,576.00	(7,235,020.00)	40,434,969.00	
Total Other Liabilities	33,398,996.00	17,057,196.50	(7,235,020.00)	43,221,172.50	31,303.16
Governmental Activity Long-Term Liabilities	$ 44,199,551.58	$ 22,053,816.65	$ (15,359,341.30)	$ 50,894,026.93	$ 3,206,303.16

The bonds payable are liquidated by the debt service fund. Obligations under capital lease are liquidated by the general fund. Compensated absences and net pension liability are liquidated by the general fund.

Note 7: LONG-TERM LIABILITIES (CONT'D)

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations for business-type activities:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due within One Year
Business-Type Activities:					
Other Liabilities:					
Compensated Absences Payable	$ 160,453.00	$ -	$ (805.00)	$ 159,648.00	$ -
Business-Type Activity Long-Term Liabilities	$ 160,453.00	$ -	$ (805.00)	$ 159,648.00	$ -

Compensated absences are liquidated by the enterprise funds.

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

On March 1, 2007, the School District issued $7,806,000.00 general obligation bonds at interest rates varying from 3.625% to 3.875% for the emergent replacement and reconstruction of the roofs at the Charles Lewis Middle School, Glen Landing Middle School and J.W. Lilly Elementary School. On October 6, 2016, the School District issued school refunding bonds to advance refund and redeem all of the outstanding callable School Bonds, Series 2007, maturing on March 1 in the years 2018 through and including 2022, and the liability for the refunded bonds was removed from the School District's financial statements (see note 16).

On September 1, 2011, the School District issued $4,175,000.00 in general obligation refunding bonds with a variable interest rate of 2.0% to 3.0% to advance refund $4,094,000.00 of outstanding callable 2002 series bonds with a variable interest rate of 4.2% to 4.4%. The final maturity of these bonds is August 1, 2017.

On May 8, 2013, the School District issued $7,430,000.00 in general obligation refunding bonds with a variable interest rate of 0.45% to 2.00% to currently refund $7,375,000.00 of outstanding 2004 refunding bonds with an interest rate of 4.00%. The final maturity of these bonds is August 1, 2017.

On October 6, 2016, the School District issued $4,570,000.00 in school refunding bonds with an interest rate of 4.000% to advance refund $4,806,000.00 of outstanding 2007 series bonds with an interest rate of 3.875%. The final maturity of these bonds is March 1, 2022.

Principal and interest due on bonds outstanding is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 3,175,000.00	$ 212,187.50	$ 3,387,187.50
2019	965,000.00	164,600.00	1,129,600.00
2020	1,010,000.00	126,000.00	1,136,000.00
2021	1,050,000.00	85,600.00	1,135,600.00
2022	1,090,000.00	43,600.00	1,133,600.00
Total	$ 7,290,000.00	$ 631,987.50	$ 7,921,987.50

Note 7: LONG-TERM LIABILITIES (CONT'D)

Bonds Authorized but not Issued - As of June 30, 2017, the School District had no authorizations to issue additional bonded debt.

Obligations under Capital Lease - The School District is leasing telephone equipment totaling $567,485.00 under a capital lease. The capital lease is for a term of five years. The capital lease is depreciated in a manner consistent with the School District's deprecation policy for owned assets.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2017.

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 103,677.60	$ 21,987.95	$ 125,665.55
2020	110,371.64	15,293.91	125,665.55
2021	114,011.11	11,654.44	125,665.55
2022	117,770.60	7,894.95	125,665.55
2023	121,654.05	4,011.50	125,665.55
Total	$ 567,485.00	$ 60,842.75	$ 628,327.75

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 14 for a description of the School District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 9. The School District's annual required contribution to the Public Employees' Retirement System is budgeted and paid from the general fund on an annual basis.

Note 8: OPERATING LEASES

At June 30, 2017, the School District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 118,257.12
2019	16,620.48
2020	4,155.12
	$ 139,032.72

Rental payments under operating leases for the fiscal year ended June 30, 2017 were $124,395.12.

Note 9: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several School District employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.nj.gov/treasury/pensions

General Information about the Pension Plans

Plan Descriptions

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in the State Police Retirement System ("SPRS") or the Police and Firemen's Retirement System ("PFRS") after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least $5,000.00 annually.

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions

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

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier.

Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

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

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less that the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions.*

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 7.63% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was $3,636,884.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were $3,457,453.02.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Note 9: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Contributions (Cont'd)

Public Employees' Retirement System (Cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.83% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was $1,243,445.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were $651,245.39.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2017, employee contributions totaled $101,452.76, and the School District recognized pension expense, which equaled the required contributions, of $52,560.67. During the fiscal year forfeitures totaling $2,785.87 were used to offset the employer contributions.

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

Teachers' Pension and Annuity Fund - At June 30, 2017, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of Net Pension Liability	$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	359,242,602.00
	$359,242,602.00

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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. For the June 30, 2016 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2016, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2016 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.4566660636%, which was an increase of 0.0090709516% from its proportion measured as of June 30, 2015.

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - For the fiscal year ended June 30, 2017, the School District recognized $26,992,083.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

Public Employees' Retirement System - At June 30, 2017, the School District reported a liability of $40,434,969.00 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 as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the School District's proportion was 0.1365256078%, which was a decrease of 0.0031189877% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized pension expense of $3,592,988.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 751,968.00	$ -
Changes of Assumptions	8,375,966.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,541,822.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	393,071.00	1,409,109.00
School District Contributions Subsequent to the Measurement Date	1,243,445.00	-
	$12,306,272.00	$ 1,409,109.00

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) - $1,243,445.00, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	$ 2,134,774
2019	2,134,774
2020	2,515,603
2021	2,187,786
2022	680,781
	$ 9,653,718.00

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) - The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years (cont'd):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Actuarial Assumptions

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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF	PERS
Inflation	2.50%	3.08%
Salary Increases:		
2012-2021	Varies Based on Experience	
Through 2026		1.65% - 4.15% Based on Age
Thereafter	Varies Based on Experience	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

For TPAF, 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.

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

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

	TPAF			PERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%	Cash	5.00%	0.87%
U.S. Government Bonds	1.50%	1.28%	U.S. Treasuries	1.50%	1.74%
U.S. Credit Bonds	13.00%	2.76%	Investment Grade Credit	8.00%	1.79%
U.S. Mortgages	2.00%	2.38%	Mortgages	2.00%	1.67%
U.S. Inflation-Indexed Bonds	1.50%	1.41%	High Yield Bonds	2.00%	4.56%
U.S. High Yield Bonds	2.00%	4.70%	Inflation-Indexed Bonds	1.50%	3.44%
U.S. Equity Market	26.00%	5.14%	Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	5.91%	Developed Foreign Equities	13.25%	6.83%
Emerging Markets Equity	6.50%	8.16%	Emerging Market Equities	6.50%	9.95%
Private Real Estate Property	5.25%	3.64%	Private Equity	9.00%	12.40%
Timber	1.00%	3.86%	Hedge Funds / Absolute Return	12.50%	4.68%
Farmland	1.00%	4.39%	Real Estate (Property)	2.00%	6.91%
Private Equity	9.00%	8.97%	Commodities	0.50%	5.45%
Commodities	0.50%	2.87%	Global Debt ex U.S.	5.00%	-0.25%
Hedge Funds - MultiStrategy	5.00%	3.70%	REIT	5.25%	5.63%
Hedge Funds - Equity Hedge	3.75%	4.72%			
Hedge Funds - Distressed	3.75%	3.49%			
	100.00%			100.00%	

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2016 were 3.22% and 3.98% for TPAF and PERS, respectively. For TPAF and PERS, the respective single blended discount rates were 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 rates for TPAF and PERS 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. 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 for TPAF and 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 for TPAF and 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the School District is $0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 3.22%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	429,015,949.00	359,242,602.00	302,263,660.00
	$429,015,949.00	$359,242,602.00	$302,263,660.00

Note 9: PENSION PLANS (CONT'D)

Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Cont'd)

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
School District's Proportionate Share of the Net Pension Liability	$ 49,548,335.00	$ 40,434,969.00	$ 32,911,095.00

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS's respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, 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. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

Note 10: SCHOOL EMPLOYEES HEALTH BENEFITS PROGRAM

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving postemployment 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 retire from a board of education or county college with 25 years of service. The State paid $231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

The School Employees Health Benefits Program ("SEHBP") Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. Seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SEHBP. That report may be obtained from the Treasury website at:

http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs and long-term disability insurance were $4,891,099.00, $177,216.00, $4,223,060.00 and $7,262.00, respectively.

Note 12: RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

The following is a summary of the activity of the School District's private-purpose trust fund for the unemployment claims for the current and previous two fiscal years:

Fiscal Year Ended June 30,	Employee Contributions	Interest Income	Claims Incurred	Ending Balance
2017	$ 98,439.06	$ 1,285.78	$ 54,264.41	$ 1,400,141.79
2016	97,280.82	1,242.81	50,026.86	1,354,681.36
2015	96,136.43	1,207.64	75,260.84	1,306,184.59

Self-Insurance Plan - The School District has adopted a plan of self-insurance for workers' compensation insurance claims up to $500,000.00 per any one accident. Claims greater than this amount are covered by an excess workers' compensation insurance policy. The records of the Administrator of the plan indicate $474,214.50 of pending claims which have been recorded and are included in accounts payable as of June 30, 2017. Any additional funds required for claims in excess of these pending claims will be paid and charged to the 2017-2018 or future budgets.

The workers’ compensation insurance claims liability (incurred) is based on an analysis prepared by management, which is based on historical trends. The remaining claims liability (incurred) is based on an evaluation performed by the third-party administrator of the plan.

Note 13: DEFERRED COMPENSATION

The School District offers its employees a choice of four deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning, Inc.
Siracusa Benefits Program
Metlife
Equitable Life Assurance Society

Note 14: COMPENSATED ABSENCES

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

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2017, the liability for compensated absences reported on the government-wide statement of net position and on the proprietary fund statement of net position was $2,218,718.50 and $159,648.00, respectively.

Note 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

Fund	Interfunds Receivable	Interfunds Payable
General	$ 1,434,275.76	$ 20,554.98
Special Revenue		452,179.65
Capital Projects		349,964.09
Debt Service	20,554.98	
Food Service	6,202.70	
Latchkey		6,202.70
Internal Service		612,935.21
Fiduciary		19,196.81
	$ 1,461,033.44	$ 1,461,033.44

Note 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONT'D)

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2018, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Interfund Transfers:

	Transfer In:			
Transfer Out:	General Fund	Capital Projects Fund	Debt Service Fund	Internal Service Fund
General Fund	$ (3,263,837.79)			$ 3,263,837.79
Capital Projects Fund	349,964.09	$ (350,302.50)	$ 338.41	
Total Transfers	$ (2,913,873.70)	$ (350,302.50)	$ 338.41	$ 3,263,837.79

During the fiscal year ended June 30, 2017, the general fund transferred $3,263,837.79 to the internal service proprietary fund for the local share of transportation expenditures made in the internal service fund. Additionally, the capital projects fund transferred $349,964.09 to the general fund for completed local capital projects having unexpended capital reserve proceeds. Finally, the capital projects fund transferred $338.41 to the debt service fund for interest earned on deposits in the capital projects fund.

Note 16: CAPITAL DEBT REFUNDING

On October 6, 2016, the School District issued $4,570,000.00 in school refunding bonds with an interest rate of 4.000% to advance refund $4,806,000.00 of outstanding 2007 series bonds with an interest rate of 3.875%. The net proceeds of $4,894,026.46 (after payment of issuance costs) were used to purchase U.S. Treasury Bills. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 series bonds. As a result of the advance refunding, the School District will reduce its total debt service payments over the next six years by $264,750.99, which results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of $256,861.23, or 5.35% of the principal amount being refunded. The advance refunding meets the requirements of an in-substance defeasance and the liability for the refunded bonds was removed from the School District's financial statements.

Note 17: DEFEASED DEBT

During the fiscal year ended June 30, 2017, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in a separate irrevocable trust fund. The investments and fixed interest earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the School District's financial statements. As of June 30, 2017, the total amount of defeased debt outstanding, but removed from the School District's financial statements, is $4,806,000.00.

Note 18: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 19: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 20: FUND BALANCES

RESTRICTED

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

For Tuition - In accordance with N.J.A.C. 6A:23A-3.1(f)(8), the School District has restricted fund balance in the amount of $400,000.00 in a legal reserve for tuition adjustments. This restricted fund balance represents foreseeable future tuition adjustments up to a maximum of 10% of the estimated tuition cost of the respective contract year. As of June 30, 2017, $200,000.00 and $200,000.00 have been restricted for the contract years 2017-2018 and 2018-2019, respectively.

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is $5,339,251.69 presented on the budgetary basis of accounting (Exhibit C-1). Excluding the last state aid payments not recognized on a GAAP basis, the excess fund balance reported on the balance sheet as of June 30, 2017 is $479,510.69. Additionally, $5,378,402.00 of excess fund balance generated during 2015-2016 has been restricted and designated for utilization in the 2017-2018 budget.

For Capital Reserve Account - As of June 30, 2017, the balance in the capital reserve account is $7,324,485.81. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

Note 20: <u>FUND BALANCES (CONT'D)</u>

RESTRICTED (CONT'D)

<u>For Maintenance Reserve Account</u> - As of June 30, 2017, the balance in the maintenance reserve account is $745,889.58. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

<u>For Emergency Reserve</u> - As of June 30, 2017, the balance in the emergency reserve is $664,621.33. These funds are generally restricted for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1). The emergency reserves may be used for security upgrades if included in the original budget certified for taxes pursuant to 18A:7G-6(c)1. The balance of the restricted fund balance is not permitted to exceed $250,000.00, or one percent (1%) of the School District's general fund budget up to a maximum of $1,000,000.00, whichever is greater. Deposits may be made to the emergency reserve account at budget time, or by board resolution at year end of any unanticipated revenue or unexpended line item appropriation, or both. Withdrawals from the emergency reserve generally require approval by the Commissioner.

Debt Service Fund - In accordance with N.J.A.C. 6A:23A-8.6, a district board of education shall appropriate annually all debt service fund balances in the budget certified for taxes unless expressly authorized and documented by the voters in a bond referendum. As of June 30, 2017, $20,554.98 of debt service fund balance is restricted for future debt service expenditures, of which $728.00 has been designated for utilization in the 2017-2018.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The School District has appropriated and included as anticipated revenue for the fiscal year ending June 30, 2018 $23,438.21 of general fund balance at June 30, 2017, resulting from the Special Education Medicaid Initiative (SEMI) reimbursement received during the current fiscal year for reimbursement of previous fiscal year expenditures.

Other Purposes - As of June 30, 2017, the School District had $474,619.53 of encumbrances as of the close of the fiscal year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2017, $2,950,008.23 of general fund balance was unassigned.

Note 21: TAX ABATEMENTS

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

The Township of Gloucester has entered into various property tax abatement agreements with properties having aggregate assessed valuations of $88,796,300.00. Based on the School District's 2017 certified tax rate of $1.141, abated taxes totaled $1,013,165.78.

FISCAL YEAR 2016

BASIC FINANCIAL STATEMENTS

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Gloucester Township School District
County of Camden

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gloucester Township School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gloucester Township School District, in the County of Camden, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Gloucester School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, includes certain supplementary information, including the required budgetary comparisons and management's discussion and analysis, that is not included with this presentation of the basic financial statements.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Todd R. Saler

Todd R. Saler
Certified Public Accountant
Public School Accountant No. CS 02195

Voorhees, New Jersey
November 30, 2016

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 2,874,409.47	$ 1,271,035.32	$ 4,145,444.79
Receivables, net	7,364,583.17	53,510.14	7,418,093.31
Inventory		25,972.38	25,972.38
Restricted Assets:			
Restricted Cash and Cash Equivalents	2,606,600.93		2,606,600.93
Capital Reserve Account - Cash	5,769,756.35		5,769,756.35
Capital Assets, net	51,756,969.98	142,575.48	51,899,545.46
Total Assets	70,372,319.90	1,493,093.32	71,865,413.22
DEFERRED OUTFLOW OF RESOURCES:			
Deferred Loss on Refunding of Debt	105,533.06		105,533.06
Related to Pensions	5,825,911.00		5,825,911.00
Total Deferred Outflows of Resources	5,931,444.06	-	5,931,444.06
LIABILITIES:			
Accounts Payable	1,881,744.56	2,212.92	1,883,957.48
Internal Balances	(158,702.68)	158,702.68	
Payable to Federal Government	3,914.00		3,914.00
Payable to State Government	147,903.00		147,903.00
Estimated Worker's Compensation Claims Payable	429,319.00		429,319.00
Unearned Revenue	40,829.80	132,387.11	173,216.91
Accrued Interest Payable	116,124.38		116,124.38
Noncurrent Liabilities:			
Due within One Year	3,290,016.25		3,290,016.25
Due beyond One Year	40,909,535.33	160,453.00	41,069,988.33
Total Liabilities	46,660,683.64	453,755.71	47,114,439.35
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions	1,666,691.00	-	1,666,691.00
NET POSITION:			
Net Investment in Capital Assets	41,061,947.46	142,575.48	41,204,522.94
Restricted for:			
Capital Projects	6,123,475.44		6,123,475.44
Other Purposes	6,704,122.33		6,704,122.33
Unrestricted (Deficit)	(25,913,155.91)	896,762.13	(25,016,393.78)
Total Net Position	$ 27,976,389.32	$ 1,039,337.61	$ 29,015,726.93

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

		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:							
Regular	$ 35,954,609.29		$ 2,743,082.94		$ (33,211,526.35)		$ (33,211,526.35)
Special Education	10,046,573.16				(10,046,573.16)		(10,046,573.16)
Other Special Instruction	215,587.97				(215,587.97)		(215,587.97)
Other Instruction	1,585,259.04				(1,585,259.04)		(1,585,259.04)
Nonpublic School Programs	232.17				(232.17)		(232.17)
Community Services Programs / Operations	1,549.00				(1,549.00)		(1,549.00)
Support Services:							
Tuition	5,412,745.61				(5,412,745.61)		(5,412,745.61)
Student and Instruction Related Services	8,582,762.53		526,612.19		(8,056,150.34)		(8,056,150.34)
School Administrative Services	3,329,433.10				(3,329,433.10)		(3,329,433.10)
General and Business Administrative Services	3,279,119.45				(3,279,119.45)		(3,279,119.45)
Plant Operations and Maintenance	7,365,030.90				(7,365,030.90)		(7,365,030.90)
Pupil Transportation	8,045,833.60	$ 1,392,758.00			(6,653,075.60)		(6,653,075.60)
Unallocated Benefits	42,891,638.97		25,158,807.43		(17,732,831.54)		(17,732,831.54)
Transfer to Charter School	1,600,693.00				(1,600,693.00)		(1,600,693.00)
Interest on Long-Term Debt	358,783.00		110,107.71		(248,675.30)		(248,675.30)
Total Governmental Activities	128,669,850.79	1,392,758.00	28,538,610.27	-	(98,738,482.53)	-	(98,738,482.53)
Business-Type Activities:							
Food Service	2,608,148.41	1,073,439.29	1,505,663.58			$ (29,045.54)	(29,045.54)
Latchkey	1,110,493.37	1,333,887.74				223,394.37	223,394.37
Total Business-Type Activities	3,718,641.78	2,407,327.03	1,505,663.58	-	-	194,348.83	194,348.83
Total Primary Government	$ 132,388,492.57	$ 3,800,085.03	$ 30,044,273.85	$ -	(98,738,482.53)	194,348.83	(98,544,133.70)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					45,456,852.00		45,456,852.00
Taxes Levied for Debt Service					2,126,400.00		2,126,400.00
Federal and State Aid not Restricted					53,279,668.97		53,279,668.97
Investment Earnings					19,092.69	1,155.88	20,248.57
Miscellaneous Income					993,532.24		993,532.24
Loss on Disposal of Capital Assets					(19,290.41)	(7,811.65)	(27,102.06)
Total General Revenues and Loss on Disposal of Capital Assets					101,856,255.49	(6,655.77)	101,849,599.72
Change in Net Position					3,117,772.97	187,693.06	3,305,466.03
Net Position -- July 1					24,858,616.35	851,644.55	25,710,260.90
Net Position -- June 30					$ 27,976,389.32	$ 1,039,337.61	$ 29,015,726.93

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$ 4,876,374.42		$ 604,635.98		$ 5,481,010.40
Interfund Accounts Receivable	1,900,758.97			$ 229,078.71	2,129,837.68
Receivables from Other Governments	5,330,338.89	$ 603,708.00			5,934,046.89
Restricted Cash and Cash Equivalents	5,769,756.35				5,769,756.35
Total Assets	$ 17,877,228.63	$ 603,708.00	$ 604,635.98	$ 229,078.71	$ 19,314,651.32
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 522,702.13	$ 112,774.27	$ 21,838.18		$ 657,314.58
Interfund Accounts Payable		298,286.93	229,078.71	$ 227,327.59	754,693.23
Estimated Worker's Compensation Claims Payable	323,375.00				323,375.00
Payable to Federal Government		3,914.00			3,914.00
Payable to State Government		147,903.00			147,903.00
Unearned Revenue		40,829.80			40,829.80
Total Liabilities	846,077.13	603,708.00	250,916.89	227,327.59	1,928,029.61
Fund Balances:					
Restricted:					
Capital Projects			353,719.09		353,719.09
Debt Service				1,751.12	1,751.12
Capital Reserve Account	5,769,756.35				5,769,756.35
Maintenance Reserve Account	1,088,256.49				1,088,256.49
Emergency Reserve Account	913,708.46				913,708.46
Tuition	200,000.00				200,000.00
Tuition--Designated for Subsequent Year's Expenditures	200,000.00				200,000.00
Excess Surplus--Current Year	506,491.38				506,491.38
Excess Surplus--Designated for Subsequent Year's Expenditures	3,795,666.00				3,795,666.00

(Continued)

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (CONTINUED):					
Fund Balances (Continued):					
Assigned:					
Other Purposes	$ 547,644.77				$ 547,644.77
Designated for Subsequent Year's Expenditures	800,000.00				800,000.00
Designated for Subsequent Year's Expenditures--SEMI/ARRA	120,400.80				120,400.80
Designated for Subsequent Year's Expenditures--SEMI Settlement	1,936.43				1,936.43
Unassigned	3,087,290.82				3,087,290.82
Total Fund Balances	17,031,151.50	-	$ 353,719.09	$ 1,751.12	17,386,621.71
Total Liabilities and Fund Balances	$ 17,877,228.63	$ 603,708.00	$ 604,635.98	$ 229,078.71	
Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:					
The Internal Service Fund is used to account for the financing of student transportation services to the district and other school districts. Student transportation services are governmental activities. This amount is the unrestricted net position in the Internal Service Fund.					96,594.53
Interest on long-term debt in the statement of activities is accrued, regardless of when due.					(116,124.38)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $94,783,187.75, and the accumulated depreciation is $43,026,217.77.					51,756,969.98
Deferred loss on refunding of debt is a consumption of net position that is applicable to a future reporting period and therefore is not reported in the funds.					105,533.06
Long-term liabilities, including bonds payable, compensated absences payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.					(44,199,551.58)
Deferred outflows and deferred inflows related to pensions represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore, such amounts are not reported in the fund financial statements.					4,159,220.00
Accounts Payable related to the April 1, 2016 Required PERS pension contribution that is not to be liquidated with current financial resources.					(1,212,874.00)
Net position of governmental activities					$ 27,976,389.32

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Tax Levy	$ 45,456,852.00			$ 2,126,400.00	$ 47,583,252.00
Miscellaneous	1,011,897.38		$ 727.55		1,012,624.93
State Sources	63,415,758.43	$ 412,551.89		1,046,205.00	64,874,515.32
Federal Sources	201,522.38	2,951,453.54			3,152,975.92
Total Revenues	110,086,030.19	3,364,005.43	727.55	3,172,605.00	116,623,368.17
EXPENDITURES:					
Current:					
Regular Instruction	32,099,776.26	2,743,082.94			34,842,859.20
Special Education Instruction	10,046,573.16				10,046,573.16
Other Special Instruction	211,986.25				211,986.25
Other Instruction	1,585,259.04				1,585,259.04
Community Service Programs/Operations	1,549.00				1,549.00
Support Services and Undistributed Costs:					
Tuition	5,412,745.61				5,412,745.61
Student and Instruction Related Services	8,042,043.31	526,612.19			8,568,655.50
School Administrative Services	3,321,982.87				3,321,982.87
Other Administrative Services	3,121,720.52				3,121,720.52
Plant Operations and Maintenance	6,668,790.72				6,668,790.72
Pupil Transportation	3,150,677.22				3,150,677.22
Unallocated Benefits	28,186,582.91				28,186,582.91
Transfer to Charter School	1,600,693.00				1,600,693.00
Debt Service:					
Principal				3,130,000.00	3,130,000.00
Interest and Other Charges				368,163.78	368,163.78
Capital Outlay	374,790.29	94,310.30	876,240.00		1,345,340.59
Total Expenditures	103,825,170.16	3,364,005.43	876,240.00	3,498,163.78	111,563,579.37

(Continued)

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Excess (Deficiency) of Revenues over Expenditures	$ 6,260,860.03	-	$ (875,512.45)	$ (325,558.78)	$ 5,059,788.80
OTHER FINANCING SOURCES (USES):					
Operating Transfers In/Out	(4,601,990.23)	-	970,193.74	229,806.26	(3,401,990.23)
Total Other Financing Sources and Uses	(4,601,990.23)	-	970,193.74	229,806.26	(3,401,990.23)
Net Change in Fund Balances	1,658,869.80	-	94,681.29	(95,752.52)	1,657,798.57
Fund Balance -- July 1	15,372,281.70	-	259,037.80	97,503.64	15,728,823.14
Fund Balance -- June 30	$ 17,031,151.50	$ -	$ 353,719.09	$ 1,751.12	$ 17,386,621.71

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total Net Change in Fund Balances - Governmental Funds		$ 1,657,798.57
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	$ (2,040,970.73)	
Capital Outlays (Exclusive of SDA Debt Service Aid Assessment)	1,345,340.59	
		(695,630.14)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		3,130,000.00
The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(20,955.58)
The Internal Service Fund is used by management to charge the costs of providing student transportation services to the district and other school districts. This amount is the change in net position for the Internal Service fund, exclusive of any gain/(loss) on disposal of Internal Service Fund capital assets.		(55,666.16)
Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.		31,729.17
The net effect of various miscellaneous transactions involving capital assets (I.e., disposals and donations) is to decrease net position.		(15,234.64)
In the statement of activities, certain operating expenses, (e.g., compensated absences) 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). This amount is the net effect of the difference in treatment of compensated absences.		(214,609.06)
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		(699,659.00)
Change in Net Position of Governmental Activities		$ 3,117,773.16

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Service	Latchkey	Totals	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	$ 227,389.16	$ 1,043,646.16	$ 1,271,035.32	
Accounts Receivable:				
State	860.59		860.59	
Federal	49,486.67		49,486.67	
Other Governments				$ 1,392,758.00
Other	3,162.88		3,162.88	
Inventories	25,972.38		25,972.38	
Total Current Assets	306,871.68	1,043,646.16	1,350,517.84	1,392,758.00
Noncurrent Assets:				
Equipment	1,402,080.08	98,826.18	1,500,906.26	5,952,038.42
Less Accumulated Depreciation	(1,264,500.83)	(93,829.95)	(1,358,330.78)	(4,670,942.70)
Total Noncurrent Assets	137,579.25	4,996.23	142,575.48	1,281,095.72
Total Assets	444,450.93	1,048,642.39	1,493,093.32	2,673,853.72
LIABILITIES:				
Current Liabilities:				
Accounts Payable	110.88	2,102.04	2,212.92	11,555.98
Interfund Accounts Payable	45,436.50	113,266.18	158,702.68	1,178,663.49
Estimated Worker's Compensation Claims Payable				105,944.00
Unearned Revenue	23,774.19	108,612.92	132,387.11	
Total Current Liabilities	69,321.57	223,981.14	293,302.71	1,296,163.47
Noncurrent Liabilities:				
Compensated Absences Payable	104,174.00	56,279.00	160,453.00	-
Total Noncurrent Liabilities	104,174.00	56,279.00	160,453.00	-
Total Liabilities	173,495.57	280,260.14	453,755.71	1,296,163.47
NET POSITION:				
Net Investment in Capital Assets	137,579.25	4,996.23	142,575.48	1,281,095.72
Unrestricted	133,376.11	763,386.02	896,762.13	96,594.53
Total Net Position	$ 270,955.36	$ 768,382.25	$ 1,039,337.61	$ 1,377,690.25

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund			Governmental Activities - Internal Service Fund
	Food Service	Latchkey	Total Enterprise	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales - Reimbursable Programs	$ 657,879.00		$ 657,879.00	
Daily Sales - Non-Reimbursable Programs	357,803.37		357,803.37	
Special Functions	57,326.42		57,326.42	
Community Service Activities		$ 1,333,887.74	1,333,887.74	
Transportation Fees from LEA				$ 3,401,990.23
Transportation Fees from Other LEA's Within the State				1,392,758.00
Miscellaneous	430.50		430.50	
Total Operating Revenues	1,073,439.29	1,333,887.74	2,407,327.03	4,794,748.23
OPERATING EXPENSES:				
Salaries	877,491.20	450,137.01	1,327,628.21	1,941,424.43
Employee Benefits	626,286.65	407,743.24	1,034,029.89	1,563,089.44
Purchased Professional Services	30,762.00	9,000.00	39,762.00	19,434.45
Cleaning, Repair and Maintenance Services	18,149.82		18,149.82	86,224.58
Other Purchased Services:				
Contracted Services (Other Than Between Home and School)				272,874.44
Insurance				166,030.00
Miscellaneous				3,231.40
Purchased Property Services		175,000.00	175,000.00	
Communications/Telephone		6,454.20	6,454.20	
Travel	817.78	116.25	934.03	
General Supplies	48,107.35	40,249.46	88,356.81	
Transportation Supplies				201,860.44
Gasoline				191,119.40
Depreciation	32,515.57	1,520.91	34,036.48	373,126.29
Cost of Sales:				
Reimbursable Programs	779,819.82		779,819.82	
Non-reimbursable Programs	193,824.68		193,824.68	
Miscellaneous Expense	373.54	20,272.30	20,645.84	26,550.94
Total Operating Expenses	2,608,148.41	1,110,493.37	3,718,641.78	4,844,965.81
Operating Income (Loss)	(1,534,709.12)	223,394.37	(1,311,314.75)	(50,217.58)
NONOPERATING REVENUES (EXPENSES):				
State Sources:				
State School Lunch Program	25,003.34		25,003.34	
Federal Sources:				
National School Lunch Program	1,028,854.52		1,028,854.52	
National School Breakfast Program	291,220.57		291,220.57	
After School Snack Program	7,994.91		7,994.91	
Special Milk Program	8,510.64		8,510.64	
Food Distribution Program	144,079.60		144,079.60	
Interest on Capital Leases				(1,392.81)
Gain/(Loss) on Disposal of Capital Assets	(6,899.28)	(912.37)	(7,811.65)	(4,055.77)
Interest and Investment Revenue	301.47	854.41	1,155.88	
Total Nonoperating Revenues (Expenses)	1,499,065.77	(57.96)	1,499,007.81	(5,448.58)
Income (Loss) before Contributions and Transfers	(35,643.35)	223,336.41	187,693.06	(55,666.16)
Operating Transfers In (Out) - General Fund	-	-	-	-
Change in Net Position	(35,643.35)	223,336.41	187,693.06	(55,666.16)
Total Net Position -- July 1	306,598.71	545,045.84	851,644.55	-
Total Net Position -- June 30	$ 270,955.36	$ 768,382.25	$ 1,039,337.61	$ 1,377,690.25

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal
	Food Service	Latchkey	Total Enterprise	Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	$ 1,073,496.24	$ 1,310,747.10	$ 2,384,243.34	$ 4,266,049.23
Payments to Employees	(877,491.20)	(450,137.01)	(1,327,628.21)	(1,941,424.43)
Payments for Employee Benefits	(641,139.15)	(393,605.00)	(1,034,744.15)	(1,492,888.44)
Payments to Suppliers	(1,100,198.74)	(248,990.17)	(1,349,188.91)	(958,848.34)
Net Cash Provided by (used for) Operating Activities	(1,545,332.85)	218,014.92	(1,327,317.93)	(127,111.98)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State Sources	25,814.40		25,814.40	
Federal Sources	1,520,631.94		1,520,631.94	
Interfunds Receivable				386,535.76
Net Cash Provided by (used for) Non-Capital Financing Activities	1,631,981.26	(47,043.86)	1,584,937.40	386,535.76
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of Capital Assets				(197,076.60)
Principal Paid on Capital Leases				(60,954.37)
Interest Paid on Capital Leases				(1,392.81)
Net Cash Provided by (used for) Capital and Related Financing Activities	-	-	-	(259,423.78)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends	301.47	854.41	1,155.88	-
Net Cash Provided by (used for) Investing Activities	301.47	854.41	1,155.88	-
Net Increase (Decrease) in Cash and Cash Equivalents	86,949.88	171,825.47	258,775.35	-
Balances -- July 1	140,439.28	871,820.69	1,012,259.97	-
Balances -- June 30	$ 227,389.16	$ 1,043,646.16	$ 1,271,035.32	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (1,534,709.12)	$ 223,394.37	$ (1,311,314.75)	$ (50,217.58)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:				
Depreciation and Net Amortization	32,515.57	1,520.91	34,036.48	373,126.29
(Increase) Decrease in Inventories	(262.75)		(262.75)	
Increase (Decrease) in Accounts Payable	(28,081.00)	2,102.04	(25,978.96)	8,477.31
Increase (Decrease) in Accrued Salaries Benefits	(14,852.50)	14,138.24	(714.26)	
(Increase) Decrease in Accounts Receivable, net	(892.60)		(892.60)	(528,699.00)
Increase (Decrease) in Unearned Revenue	949.55	(23,140.64)	(22,191.09)	
Increase (Decrease) in Estimated Worker's Comp Claims Payable				70,201.00
Total Adjustments	(10,623.73)	(5,379.45)	(16,003.18)	(76,894.40)
Net Cash Provided by (used for) Operating Activities	$ (1,545,332.85)	$ 218,014.92	$ (1,327,317.93)	$ (127,111.98)

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	Private-Purpose Trust Fund	Agency Funds	
	Unemployment Compensation	Student Activity	Payroll
ASSETS:			
Cash and Cash Equivalents	$ 1,262,461.26	$ 160,147.26	$ 358,057.70
Receivables from Other Governments			95,620.65
Intrafund Accounts Receivable	97,280.82		
Total Assets	1,359,742.08	$ 160,147.26	$ 453,678.35
LIABILITIES:			
Accounts Payable	5,060.72		
Interfund Accounts Payable			$ 37,778.28
Intrafund Accounts Payable			97,280.82
Payable to Student Groups		$ 160,147.26	
Payroll Deductions and Withholdings			318,619.25
Total Liabilities	5,060.72	$ 160,147.26	$ 453,678.35
NET POSITION:			
Held in Trust for Unemployment Claims and Other Purposes	1,354,681.36		
Total Net Position	$ 1,354,681.36		

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

GLOUCESTER TOWNSHIP SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Private-Purpose Trust Fund
	Unemployment Compensation Trust
ADDITIONS:	
Contributions:	
Employee Salary Deductions	$ 97,280.82
Investment Earnings:	
Interest	1,242.81
Total Additions	98,523.63
DEDUCTIONS:	
Unemployment Claims	50,026.86
Total Deductions	50,026.86
Change in Net Position	48,496.77
Net Position -- July 1	1,306,184.59
Net Position -- June 30	$ 1,354,681.36

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gloucester Township School District (the "School District") have been prepared to conform 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 following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades K-8 at its eight elementary and three middle schools. The School District has an approximate enrollment at June 30, 2016 of 6,407.

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

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units (Cont'd)

Based upon the application of these criteria, the School District has no component units, and is not a component unit of another governmental agency.

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property 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 is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Camden County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year 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 cash is received by the School District.

The School District reports the following major governmental funds:

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

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

***Special Revenue Fund* -** The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

***Capital Projects Fund* -** The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

***Debt Service Fund* -** The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary 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 a proprietary fund's principal ongoing operations. Operating expenses for the internal service funds include salaries, benefits, administrative expenses, and other transportation related expenses. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary funds:

***Food Service Fund* -** This fund accounts for the financial transactions related to the food service operations of the School District.

Latchkey Fund - This fund accounts for financial activity related to providing day care services for School District students before and after school and during the summer.

Internal Service Fund – Transportation Services – This fund has been established to account for the financing of transportation services provided by the Gloucester Township School District for use by the Black Horse Pike Regional School District, as well as for the Gloucester Township School District itself. Services are provided on a cost-reimbursement basis.

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

***Agency Funds* -** Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

***Private-Purpose Trust Funds* -** Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust fund:

New Jersey Unemployment Compensation Insurance Trust Fund - Revenues consist of contributions that have been included in the annual budget of the School District, employee payroll withholdings, and interest income. Expenditures represent claims incurred for unemployment.

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) charges 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 property taxes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. 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, school districts must record the delayed one or more June state aid payments 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. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibits C-1, C-2 and I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Encumbrances (Cont'd)

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

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

Cash, Cash Equivalents and Investments

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 amount of their deposits to the governmental units.

Inventories

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

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Tuition Receivable

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at fair market value at the time received.

The School District's capitalization threshold is $2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Land Improvements	10-20 Years
Buildings and Improvements	10-50 Years
Equipment	4-10 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Outflows and Deferred Inflows of Resources (Cont'd)

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

In addition, the School District reports the following as deferred outflows of resources:

Loss on Refunding of Debt - The loss on refunding arise from the issuance of refunding bonds, which is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2016 and 2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

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

Compensated Absences

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

The School District uses the termination method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

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

Bond Discounts / Premiums

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts / premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position and on the proprietary fund statement of net position.

Net Position

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

***Net Investment in Capital Assets* -** This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

***Restricted* -** Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

***Unrestricted* -** Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable **-** The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted **-** The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed **-** The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned **-** The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for 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 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 expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended June 30, 2016, the School District adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the basic financial statements of the School District.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements during the fiscal year ended June 30, 2016 which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of Recently Issued Accounting Principles (Cont'd)

Recently Issued Accounting Pronouncements (Cont'd)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the School District in fiscal year 2018. Management has not yet determined the impact of this Statement on the basic financial statements of the School District.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement will become effective for the School District in fiscal year 2018. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have a material impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of June 30, 2016, the School District's bank balances of $15,684,264.70 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	$ 14,730,252.96
Uninsured and Uncollateralized	954,011.74
Total	$ 15,684,264.70

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was originally established by the School District by inclusion of $1,000.00 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 School District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a school 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 fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either 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.

Note 3: CAPITAL RESERVE ACCOUNT (CONT'D)

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015		$ 5,431,590.12
Increased by:		
Interest Earnings	$ 3,070.23	
Deposits:		
Board Resolution - June 20, 2016	1,000,000.00	
Budgeted Increase	535,096.00	
		1,538,166.23
		6,969,756.35
Decreased by:		
Withdrawals:		
Budget Appropriation--Transfer to Capital Projects Fund		1,200,000.00
Ending Balance, June 30, 2016		$ 5,769,756.35

The June 30, 2016 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted projects. The withdrawals from the capital reserve were for use in Department of Education approved facilities projects, consistent with the School District's LRFP.

Note 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of intergovernmental awards and refunds, tax levy and charges, fiduciary funds interfunds and various miscellaneous fees. All intergovernmental receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	Intergovernmental				Fiduciary		
Fund	Federal Awards	State Awards/Refunds	Tax Levy	Transportation Charges	Funds Interfund	Other	Total
Governmental Activities:							
Governmental Funds:							
General	$ 1,936.43	$ 1,363,130.98	$ 3,965,271.48		$ 37,778.28		$ 5,368,117.17
Special Revenue	603,708.00						603,708.00
Proprietary Funds:							
Internal Service				$ 1,392,758.00			1,392,758.00
	605,644.43	1,363,130.98	3,965,271.48	1,392,758.00	37,778.28	-	7,364,583.17
Business-Type Activities:							
Proprietary Funds:							
Food Service	49,486.67	860.59	-	-	-	$ 3,162.88	53,510.14
Fiduciary Funds:							
Agency Funds:							
Payroll	-	95,620.65	-	-	-	-	95,620.65
	$ 655,131.10	$ 1,459,612.22	$ 3,965,271.48	$ 1,392,758.00	$ 37,778.28	$ 3,162.88	$ 7,513,713.96

Note 5: INVENTORY

Inventory recorded at June 30, 2016 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	$ 18,842.28
Supplies	7,130.10
	$ 25,972.38

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Increases	Transfers	Decreases	Balance June 30, 2016
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	$ 902,513.50				$ 902,513.50
Construction in Progress	1,861,831.87	$ 876,240.00	$ (1,825,000.00)		913,071.87
Total Capital Assets, not being Depreciated	2,764,345.37	876,240.00	(1,825,000.00)	-	1,815,585.37
Capital Assets, being Depreciated:					
Land Improvements	3,277,596.25		1,825,000.00		5,102,596.25
Buildings and Improvements	76,610,816.21	108,101.25			76,718,917.46
Equipment	12,440,547.16	558,075.75		$ (1,852,534.24)	11,146,088.67
Total Capital Assets, being Depreciated	92,328,959.62	666,177.00	1,825,000.00	(1,852,534.24)	92,967,602.38
Total Capital Assets, Cost	95,093,304.99	1,542,417.00	-	(1,852,534.24)	94,783,187.75
Less Accumulated Depreciation for:					
Land Improvements	(2,747,849.28)	(126,238.36)			(2,874,087.64)
Buildings and Improvements	(29,869,698.07)	(1,613,317.67)			(31,483,015.74)
Equipment	(9,827,817.23)	(674,540.99)		1,833,243.83	(8,669,114.39)
Total Accumulated Depreciation	(42,445,364.58)	(2,414,097.02)	-	1,833,243.83	(43,026,217.77)
Total Capital Assets, being Depreciated, Net	49,883,595.04	(1,747,920.02)	1,825,000.00	(19,290.41)	49,941,384.61
Governmental Activities Capital Assets, Net	$ 52,647,940.41	$ (871,680.02)	-	(19,290.41)	$ 51,756,969.98
Business-Type Activities:					
Capital Assets, being Depreciated:					
Equipment	$ 1,551,167.41	-	-	$ (50,261.15)	$ 1,500,906.26
Total Capital Assets, being Depreciated	1,551,167.41	-	-	(50,261.15)	1,500,906.26
Less Accumulated Depreciation for:					
Equipment	(1,366,743.80)	$ (34,036.48)	-	42,449.50	(1,358,330.78)
Total Accumulated Depreciation	(1,366,743.80)	(34,036.48)	-	42,449.50	(1,358,330.78)
Business-Type Activities Capital Assets, Net	$ 184,423.61	$ (34,036.48)	$ -	$ (7,811.65)	$ 142,575.48

Note 6: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:	
Instruction Regular Programs	$1,111,750.09
Instruction Special Programs	3,601.72
Instruction Nonpublic School Programs	232.17
Support Services Students	14,107.03
Support Services General Administration	88,308.11
Support Services School Administration	7,450.23
Support Services Plant Operations and Maintenance	696,239.99
Support Services Pupil Transportation	423,316.86
Support Services Business and Other Support Services	69,090.82
Total Depreciation Expense - Governmental Activities	$ 2,414,097.02
Business-Type Activities:	
Food Service	$ 32,515.57
Latchkey	1,520.91
Total Depreciation Expense - Business-Type Activities	$ 34,036.48

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations for governmental activities:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 13,836,000.00		$ (3,130,000.00)	$ 10,706,000.00	$ 3,180,000.00
Plus Amounts:					
Premium on Bonds	171,015.13		(76,459.55)	94,555.58	
Total Bonds Payable	14,007,015.13	-	(3,206,459.55)	10,800,555.58	3,180,000.00
Other Liabilities:					
Obligations under Capital Lease	60,954.37		(60,954.37)		
Compensated Absences	1,836,973.94	$ 214,609.06		2,051,583.00	110,016.25
Net Pension Liability (note 9)	25,557,435.00	5,789,978.00		31,347,413.00	
Total Other Liabilities	27,455,363.31	6,004,587.06	(60,954.37)	33,398,996.00	110,016.25
Governmental Activity Long-Term Liabilities	$ 41,462,378.44	$ 6,004,587.06	$ (3,267,413.92)	$ 44,199,551.58	$ 3,290,016.25

The bonds payable are liquidated by the debt service fund. Obligations under capital lease are liquidated by the internal service fund. Compensated absences and net pension liability are liquidated by the general fund.

Note 7: LONG-TERM LIABILITIES (CONT'D)

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations for business-type activities:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due within One Year
Business-Type Activities:					
Other Liabilities:					
Compensated Absences Payable	$ 161,167.26	$ -	$ (714.26)	$ 160,453.00	$ -
Business-Type Activity Long-Term Liabilities	$ 161,167.26	$ -	$ (714.26)	$ 160,453.00	$ -

Compensated absences are liquidated by the enterprise funds.

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

On March 1, 2007, the School District issued $7,806,000.00 general obligation bonds at interest rates varying from 3.625% to 3.875% for the emergent replacement and reconstruction of the roofs at the Charles Lewis Middle School, Glen Landing Middle School and J.W. Lilly Elementary School. The final maturity of these bonds is March 1, 2022. Subsequent to June 30, 2016, on October 6, 2016, the School District issued school refunding bonds to advance refund and redeem all of the School District's outstanding callable School Bonds, Series 2007, maturing on March 1 in the years 2018 through and including 2022 (see note 19).

On September 1, 2011, the School District issued $4,175,000.00 in general obligation refunding bonds with a variable interest rate of 2.0% to 3.0% to advance refund $4,094,000.00 of outstanding callable 2002 series bonds with a variable interest rate of 4.2% to 4.4%. The final maturity of these bonds is August 1, 2017.

On May 8, 2013, the School District issued $7,430,000.00 in general obligation refunding bonds with a variable interest rate of 0.45% to 2.00% to currently refund $7,375,000.00 of outstanding 2004 refunding bonds with an interest rate of 4.00%. The final maturity of these bonds is August 1, 2017.

Principal and interest due on bonds outstanding is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	$ 3,180,000.00	$ 291,520.01	$ 3,471,520.01
2018	3,220,000.00	215,620.00	3,435,620.00
2019	1,010,000.00	166,857.50	1,176,857.50
2020	1,055,000.00	127,720.00	1,182,720.00
2021	1,100,000.00	86,838.76	1,186,838.76
2022	1,141,000.00	44,213.76	1,185,213.76
Total	$ 10,706,000.00	$ 932,770.03	$ 11,638,770.03

Bonds Authorized but not Issued - As of June 30, 2016, the School District had no authorizations to issue additional bonded debt.

Note 7: LONG-TERM LIABILITIES (CONT'D)

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 14 for a description of the School District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 9. The School District's annual required contribution to the Public Employees' Retirement System are budgeted and paid from the general fund on an annual basis.

Note 8: OPERATING LEASES

At June 30, 2016, the School District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

Fiscal Year Ending June 30,	Amount
2017	$ 124,395.12
2018	118,257.12
2019	16,620.48
2020	4,155.12
	$ 263,427.84

Rental payments under operating leases for the fiscal year ended June 30, 2016 were $124,395.12.

Note 9: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.nj.gov/treasury/pensions

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans

Plan Descriptions

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in SPRS or PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least $5,000.00 annually; and employees otherwise eligible to enroll in TFAP or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least $5,000.00 annually.

Vesting and Benefit Provisions

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

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

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

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Note 9: PENSION PLANS (CONT'D)

General Information about the Pension Plans (Cont'd)

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less that the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions.*

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 5.18% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2016 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2016 was $2,405,496.00, and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2016 were $3,299,314.80.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 13.40% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2015, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2016 was $1,200,569.00, and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2016 were $647,046.78.

Note 9: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Contributions (Cont'd)

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2016, employee contributions totaled $92,752.85, and the School District recognized pension expense of $50,604.04. There were no forfeitures during the fiscal year.

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

Teachers' Pension and Annuity Fund - At June 30, 2016, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of Net Pension Liability	$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	282,899,224.00
	$282,899,224.00

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. For the June 30, 2015 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2015, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2015 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.4475951120%, which was a decrease of 0.0189922034% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School District recognized $17,273,545.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2015 measurement date.

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System - At June 30, 2016, the School District reported a liability of $31,347,413.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the School District's proportion was 0.1396445955%, which was an increase of 0.0031397813% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School District recognized pension expense of $1,900,244.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2015 measurement date.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 747,839.00	$ -
Changes of Assumptions	3,366,462.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	504,006.00
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	498,736.00	1,162,685.00
School District Contributions Subsequent to the Measurement Date	1,212,874.00	-
	$ 5,825,911.00	$ 1,666,691.00

Note 9: PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) - $1,212,874.00 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2017. 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 Ending June 30,	
2017	$ 499,845.00
2018	499,845.00
2019	499,845.00
2020	880,619.00
2021	566,192.00
	$ 2,946,346.00

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF	PERS
Inflation	2.50%	3.04%
Salary Increases:		
2012-2021	Varies Based on Experience	2.15% - 4.40% Based on Age
Thereafter	Varies Based on Experience	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2009 - June 30, 2012	July 1, 2008 - June 30, 2011

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 9: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2015 are summarized in the following tables:

TPAF

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	100.00%	

PERS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%
	100.00%	

Discount Rate - The discount rates used to measure the total pension liability were 4.13% and 4.68% for TPAF as of June 30, 2015 and 2014, respectively, and 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For TPAF and PERS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 rates for TPAF and PERS 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 average of the last five years 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 2027 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 9: PENSION PLANS (CONT'D)

Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2015, the pension plans measurement date, attributable to the School District is $0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.13%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	336,215,153.00	282,899,224.00	236,964,360.00
	$336,215,153.00	$282,899,224.00	$236,964,360.00

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2015, the plans measurement date, calculated using a discount rate of 4.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
School District's Proportionate Share of the Net Pension Liability	$ 38,960,999.00	$ 31,347,413.00	$ 24,964,238.00

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS' respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, 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. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/annrpts.shtml.

Note 10: STATE POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving postemployment medical benefits, and the State contributed $1.25 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 retire from a board of education or county college with 25 years of service. The State paid $214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2016, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs, and non-contributory insurance were $3,482,757.00, $4,353,578.00 and $173,489.00, respectively.

Note 12: RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

Fiscal Year Ended June 30,	Employee Contributions	Interest Income	Claims Incurred	Ending Balance
2016	$ 97,280.82	$ 1,242.81	$ 50,026.86	$ 1,354,681.36
2015	96,136.43	1,207.64	75,260.84	1,306,184.59
2014	96,496.23	1,211.96	125,891.75	1,284,101.36

Note 12: RISK MANAGEMENT (CONT'D)

Self-Insurance Plan - The School District has adopted a plan of self-insurance for workers' compensation insurance claims up to $500,000.00 per any one accident. Claims greater than this amount are covered by an excess workers' compensation insurance policy. The records of the Administrator of the plan indicate $429,319.00 of pending claims which have been recorded and are included in accounts payable as of June 30, 2016. Any additional funds required for claims in excess of these pending claims will be paid and charged to the 2016-2017 or future budgets.

The workers' compensation insurance claims liability (incurred) is based on an analysis prepared by management, which is based on historical trends. The remaining claims liability (incurred) is based on an evaluation performed by the third-party administrator of the plan.

Note 13: DEFERRED COMPENSATION

The School District offers its employees a choice of four deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning, Inc.
Siracusa Benefits Program
Metlife
Equitable Life Assurance Society

Note 14: COMPENSATED ABSENCES

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

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2016, the liability for compensated absences reported on the government-wide statement of net position and on the proprietary fund statement of net position was $2,051,583.00 and $160,453.00, respectively.

Note 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

Fund	Interfunds Receivable	Interfunds Payable
General	$ 1,900,758.97	
Special Revenue		$ 298,286.93
Capital Projects		229,078.71
Debt Service	229,078.71	227,327.59
Food Service		158,702.68
Internal Service		1,178,663.49
Fiduciary		37,778.28
	$ 2,129,837.68	$ 2,129,837.68

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2017, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Interfund Transfers:

	Transfer In:			
Transfer Out:	General Fund	Capital Projects Fund	Debt Service Fund	Internal Service Fund
General Fund	$ (4,601,990.23)	$ 1,200,000.00		$ 3,401,990.23
Capital Projects Fund		(229,806.26)	$ 229,806.26	
Total Transfers	$ (4,601,990.23)	$ 970,193.74	$ 229,806.26	$ 3,401,990.23

During the fiscal year ended June 30, 2016, the general fund transferred $1,200,000.00 to the capital projects fund for the local share of a capital project and $3,401,990.23 to the internal service proprietary fund for the local share of transportation expenditures made in the internal service fund. Additionally, the capital projects fund transferred $229,078.71 to the debt service fund for debt service principal payments related to completed local capital projects having unexpended bond proceeds. Finally, the capital projects fund transferred $727.55 to the debt service fund for interest earned on deposits in the capital projects fund.

Note 16: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Note 17: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 18: FUND BALANCES

RESTRICTED

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

For Tuition - In accordance with N.J.A.C. 6A:23A-3.1(f)(8), the School District has restricted fund balance in the amount of $400,000.00 in a legal reserve for tuition adjustments. This restricted fund balance represents foreseeable future tuition adjustments up to a maximum of 10% of the estimated tuition cost of the respective contract year. As of June 30, 2016, $200,000.00 and $200,000.00have been restricted for the contract years 2014-2015 and 2015-2016, respectively.

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is $5,378,402.38 presented on the budgetary basis of accounting (Exhibit C-1). Excluding the last state aid payments not recognized on a GAAP basis, the excess fund balance reported on the balance sheet as of June 30, 2016 is $506,491.38. Additionally,. Additionally, $3,795,666.00 of excess fund balance generated during 2014-2015 has been restricted and designated for utilization in the 2016-2017 budget.

For Capital Reserve Account - As of June 30, 2016, the balance in the capital reserve account is $5,769,756.35. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

Note 18: FUND BALANCES (CONT'D)

RESTRICTED (CONT'D)

General Fund (Cont'd)

For Maintenance Reserve Account - As of June 30, 2016, the balance in the maintenance reserve account is $1,088,256.49. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

For Emergency Reserve - As of June 30, 2016, the balance in the emergency reserve is $913,708.46. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1). The balance of the restricted fund balance is not permitted to exceed $250,000.00, or one percent (1%) of the School District's general fund budget up to a maximum of $1,000,000.00, whichever is greater. Deposits may be made to the emergency reserve account at budget time, or by board resolution at year end of any unanticipated revenue or unexpended line item appropriation, or both. Withdrawals from the emergency reserve require approval by the Commissioner.

Capital Projects Fund - As of June 30, 2016, $353,719.09 of capital projects fund balance is restricted for future capital expenditures.

Debt Service Fund - In accordance with N.J.A.C. 6A:23A-8.6, a district board of education shall appropriate annually all debt service fund balances in the budget certified for taxes unless expressly authorized and documented by the voters in a bond referendum. As of June 30, 2016, $1,751.12 of debt service fund balance is restricted for future debt service expenditures, of which $1,023.00 has been designated for utilization in the 2016-2017.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017 800,000.00 of general fund balance at June 30, 2016.

Additionally, the School District has assigned for future use $122,337.23 of general fund balance at June 30, 2016. $1,936.43 results from the Special Education Medicaid Initiative (SEMI) reimbursement accrued during the current fiscal year for reimbursement of previous fiscal year expenditures. Such amount must be appropriated and included as anticipated revenue in fiscal year ending June 30, 2017 or 2018. $120,400.80 results from the Special Education Medicaid Initiative (SEMI) reimbursement received during fiscal year ending June 30, 2015. Such amount must be appropriated and included as anticipated revenue in fiscal year ending June 30, 2017.

Other Purposes - As of June 30, 2016, the School District had $547,644.77 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Note 18: **FUND BALANCES (CONT'D)**

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2016, $3,087,290.82 of general fund balance was unassigned.

Note 19: **SUBSEQUENT EVENTS**

Capital Debt Refunding - On October 6, 2016, the School District issued $4,570,000.00 in school refunding bonds with an interest rate of 4.000% to advance refund $4,806,000.00 of outstanding 2007 series bonds with an interest rate of 3.875%. The net proceeds of $4,894,026.46 (after payment of issuance costs) were used to purchase U.S. Treasury Bills. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 series bonds. As a result of the advance refunding, the School District will reduce its total debt service payments over the next six years by $264,750.99, which results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of $256,861.23, or 5.35% of the principal amount being refunded.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this __th day of October, 2018 between The Board of Education of the Township of Gloucester, in the County of Camden, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board) and the Dissemination Agent (hereinafter defined). This Disclosure Agreement is entered into in connection with the issuance and sale by the School District of its School Refunding Bonds (ESIP Project), Series 2018 ("Refunding Bonds") in the aggregate principal amount of $_____________.

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Refunding Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Refunding Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms, not otherwise defined herein, shall, for purposes of this Disclosure Agreement, have the following meanings:

"Annual Report" shall mean, the School District's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Commission" shall have the meaning set forth in Section 1 of this Disclosure Agreement

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the School District or the Dissemination Agent is authorized by law or contract to remain closed.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean Phoenix Advisors, LLC, Bordentown, New Jersey, or any successor Dissemination Agent designated in writing by the School District and which has filed with the School District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System, an internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062 of the Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt bonds, including the Refunding Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"**National Repository**" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the Commission as a repository for purposes of the Rule.

"**Official Statement**" shall mean the Official Statement of the School District dated October __, 2018 relating to the Refunding Bonds.

"**Opinion of Counsel**" shall mean a written opinion of counsel expert in federal securities law acceptable to the School District.

"**Rule**" shall have the meaning set forth in Section 1 of this Disclosure Agreement.

SECTION 3. Provision of Annual Report.

(a) The School District shall not later than two hundred seventy (270) days after the end of its fiscal year (currently June 30) for each fiscal year until termination of the School District's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the School District (commencing for the fiscal year ending June 30, 2018). Each Annual Report provided to the Dissemination Agent by the School District shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the Commission.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the School District shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the School District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement to the National Repository and stating the date it was provided to the National Repository.

(c) If the School District fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the School District advising of such failure. Whether or not such notice is given or received, if the School District thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the School District) to the National Repository in substantially the form attached as EXHIBIT "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) the School District's annual financial statements, substantially in the form set forth in Appendix B to the Official Statement, audited by an independent certified public accountant, provided that the annual audited financial statements of the School District may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the School District are included in the Annual Report; and (ii) the general financial information and operating data of the School District consistent with the information set forth in Appendix A to the Official Statement. Each annual audited financial statements will conform to generally accepted accounting principles applicable to governmental units or will be prepared in accordance with the standards of the Governmental Accounting Standards Board and requirements of the New Jersey Department of Education as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

(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 Refunding Bonds, or other material events affecting the tax status of the Refunding Bonds;
(7) modifications to the rights of Refunding Bondholders, if material;
(8) Refunding Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Refunding Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The School District shall within ten (10) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified clauses (2), (7), (8), (10), (13) or (14) of subsection (a) of this Section 5, the School District may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the School District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within fifteen (15) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the School District.

SECTION 6. <u>Termination of Reporting Obligations</u>. The reporting obligations of the School District under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Refunding Bonds or when the School District is no longer an Obligated Person (as defined in the Rule) with respect to the Refunding Bonds.

SECTION 7. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the School District may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto. The School District shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. <u>Additional Information</u>. Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. <u>Default and Remedies</u>. In the event of a failure of the School District to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of the outstanding Refunding Bonds and provision of indemnity and security for expenses satisfactory to it, shall), or any beneficial owner of the Refunding Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Agreement. A failure of the School District to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Refunding Bonds. The sole remedy under this Disclosure Agreement in the event of any failure of the School District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. <u>Notices</u>. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

If to the School District:

The Board of Education of the Township of Gloucester
County of Camden, New Jersey
17 Erial Road
Blackwood, New Jersey 08012
Attention: Jean Grubb,
Business Administrator/Board Secretary

If to the Dissemination Agent:

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505
Attention: Robbi Acampora, Managing Director

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 11 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School Board, the Dissemination Agent and the Bondholders and nothing herein contained shall confer any right upon any other person.

SECTION 12. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 13. Compensation. The School Board shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 14. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the School District or the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto executed this Disclosure Agreement as of the date first above written.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF GLOUCESTER, COUNTY OF CAMDEN, NEW JERSEY

By:______________________________________
JEAN GRUBB,
Business Administrator/Board Secretary

PHOENIX ADVISORS, LLC,
as Dissemination Agent

By:______________________________________
ROBBI ACAMPORA,
Managing Director

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer:	The Board of Education of the Township of Gloucester, County of Camden, New Jersey
Name of Bond Issues Affected:	$______________ School Refunding Bonds (ESIP Project), Series 2018
Date of Issuance of the Affected Bond Issue:	October __, 2018

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Refunding Bond issue as required by Section 3 of the Continuing Disclosure Agreement, dated October __, 2018, between the School District and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by ______________________________.]

Dated:

PHOENIX ADVISORS, LLC,
as Dissemination Agent

cc: The Board of Education of the Township of Gloucester, County of Camden, New Jersey

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

PARKER McCAY

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

P: 856.596.8900
F: 856.596.9631
www.parkermccay.com

October __, 2018

The Board of Education of the Township of Gloucester
County of Camden, New Jersey
17 Erial Road
Blackwood, New Jersey

RE: $___________ THE BOARD OF EDUCATION OF THE TOWNSHIP OF GLOUCESTER, IN THE COUNTY OF CAMDEN, NEW JERSEY, SCHOOL REFUNDING BONDS (ESIP PROJECT), SERIES 2018

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Refunding Bonds") by The Board of Education of the Township of Gloucester, in the County of Camden, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board).

The Refunding Bonds are being issued pursuant to: (i) Chapter 24 of Title 18A, Education, of the New Jersey Statutes, as amended and supplemented ("School Bond Law"); (ii) a refunding bond ordinance, duly and finally adopted by the Board on September 24, 2018 ("Refunding Bond Ordinance"); and (iii) a resolution, duly adopted by the Board on September 24, 2018 ("Resolution"). The Refunding Bonds are entitled to the benefits of the School Bond Reserve Act, Chapter 56 of Title 18A, Education, of the New Jersey Statutes, as amended and supplemented.

The Refunding Bonds are being issued to provide funds which will be used to: (i) finance the costs of the installation of certain energy conservation measures at certain facilities owned by the School District; and (ii) pay certain costs and expenses related to the issuance, sale and delivery of the Refunding Bonds.

The Refunding Bonds are dated their date of delivery and mature on July 15 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the rates per annum below, payable semi-annually on January 15 and July 15, commencing July 15, 2019, in each year until maturity or earlier redemption.

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2019	$	%	2029	$	%
2020			2030		
2021			2031		
2022			2032		
2023			2033		
2024			2034		
2025			2035		
2026			2036		
2027			2037		
2028			2038		

The Refunding Bonds are issuable in fully registered book-entry form without coupons and are subject to redemption prior to maturity as set forth therein.

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2018 (as amended, the "Code"), and the School Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary, including, without limitation, the Refunding Bond Ordinance, the Resolution, a certification of the officials of the School District having responsibility for issuing the Refunding Bonds given pursuant to the Code ("Nonarbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Refunding Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, certifications and instruments examined including, without limiting the generality of the foregoing, the Nonarbitrage Certificate.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Refunding Bonds are legal, valid and binding obligations of the School District enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Refunding Bonds, the School District has the power and is obligated, to the extent payment is not otherwise provided, to levy *ad valorem* taxes upon all taxable real property located within the School District without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Refunding Bonds will not be includible for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Refunding Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Refunding Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Refunding Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Refunding Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive "investment" income, including interest on the Refunding Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the School District that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Refunding Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the School District to comply with such covenants could result in the interest on the Refunding Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Refunding Bonds.

Ownership of the Refunding Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Refunding Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Refunding Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Refunding Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The School District has designated the Refunding Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the Refunding Bonds should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

4. Interest on the Refunding Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

In providing the opinion expressed in paragraph 3 above, we have relied upon the written report provided by Bowman & Company LLP, Voorhees, New Jersey, certified public accountants, regarding the computation of the yield on the Refunding Bonds and certain investments made with the proceeds of the Refunding Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Refunding Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State of New Jersey, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

This is only an opinion letter and not a warranty or guaranty of the matters discussed above.

This letter is being provided solely for the benefit of the School District and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)