

NOTICE OF SALE
\$45,330,000 SCHOOL BONDS, SERIES 2019
OF THE BOARD OF EDUCATION OF THE
BOROUGH OF RUTHERFORD
IN THE COUNTY OF BERGEN, NEW JERSEY

Book-Entry Only Bonds
Callable

SUMMARY

ISSUER: The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey (the "Board")

PAR AMOUNT: \$45,330,000

SECURITY: General Obligations of the Board and the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq.

TAX EXEMPT: Yes

RATINGS: S&P Global Ratings – "AA-"

INSURANCE: The Winning Bidder of the Bonds may, at its sole option and expense, purchase a policy of municipal bond insurance.

TYPE OF SALE: Electronic bids via the Parity Electronic Bid Submission System ("PARITY")

AUCTION AGENT: PARITY

BID/AWARD DATE: December 4, 2019 until 11:00 a.m. Eastern Standard Time. Award by 2:00 p.m.

DATED DATE: Date of Delivery

DELIVERY DATE: On or about December 19, 2019

INTEREST PAYMENT DATES: Semiannually on each June 15 and December 15 of each year beginning December 15, 2020 until maturity or prior redemption

BID: Minimum - \$45,330,000 (Par); Maximum - \$45,331,000

BID SECURITY: **Good Faith Check in the form of a certified, cashier's or treasurer's check or a wire transfer in the amount of \$906,600 received by the Board no later than 11:00 a.m. on December 4, 2019 or Financial Surety Bond, if available, as provided in this notice**

BASIS OF AWARD: Net Interest Cost - Ascending Coupons Required in multiples of 1/8 or 1/20 of 1%

OFFERING STATEMENT: Preliminary Official Statement available at www.MuniHub.com and www.govdebt.net

NOTICE

NOTICE IS HEREBY GIVEN that bids will be received by The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey (the "Board") for the purchase of the Board's \$45,330,000 aggregate principal amount of School Bonds, Series 2019 (the "Bonds"). **All Bids (as defined below) must be submitted in their entirety on i-Deal's PARITY website ("PARITY") prior to 11:00 a.m., Eastern Standard Time on December 4, 2019. To bid via PARITY, Bidders (as defined below) must have submitted a good faith check in the form of a certified, cashier's or treasurer's check, a wire transfer, or Financial Surety Bond, if available, payable to the Board in the amount of \$906,600 no later than 11:00 a.m. on December 4, 2019 (see Bidding Details below).**

Preliminary and Final Official Statement

The Board's Preliminary Official Statement dated on or about November 27, 2019 (the "POS"), is available for viewing in electronic format on www.MuniHub.com and www.govdebt.net. In addition, broker dealers registered with the National Association of Securities Dealers (the "NASD") and dealer banks with The Depository Trust Company, New York, New York, ("DTC") clearing arrangements may either: (a) print out a copy of the POS on their own printer, or (b) at any time prior to December 4, 2019, elect to receive a photocopy of the POS in the mail by requesting it on PARITY or by calling the Board's Bond Counsel, Wilentz, Goldman & Spitzer, P.A. ("Bond Counsel"), 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095. Calls should be directed to Lisa A. Gorab, Esq. at (732) 855-6459. All Bidders must review the POS and certify that they have done so prior to participating in the bidding.

The POS is deemed by the Board to be final as of its date, for purposes of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, except for the omission of information concerning the offering price(s), interest rate(s), selling compensation, aggregate principal amount of the Bonds and any other terms or provisions to be determined from the successful Bid(s) or depending on such matters, and the identity of the underwriter(s). The POS is, however, subject to such further revisions, amendments and completion in a Final Official Statement (the "Final Official Statement") as may be necessary.

The Board at its expense, will make available to the Winning Bidder a reasonable number of Final Official Statements, within seven (7) business days following the date of acceptance of the Bid.

Types of Bids Allowed

Subject to the Bid requirements described below, Bids for the Bonds must be submitted on an "All-or-None" ("AON") basis for the entire amount of bonds offered for sale. First, a Bidder must submit a conforming Bid for the entire issue, and if such Bid is accepted by the Board, the Bidder will be required to purchase the entire issue in accordance with such Bid.

Insurance

If the Bonds qualify for the issuance of any policy of municipal bond insurance, the Bidder of the Bonds may, at its sole option and expense, purchase such insurance. The insurance premium, if any, will be paid by the Bidder. Any failure of the Bonds to be so insured shall not in any way relieve the Winning Bidder of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds.

Interest Payment Dates; Description of the Bonds

The Bonds will be dated their date of delivery and will bear interest from such date payable semiannually on each June 15 and December 15, commencing on December 15, 2020 (the "Interest Payment Date"), in each year until maturity or prior redemption, by payment of money to DTC or its authorized nominee. DTC will credit payments of principal of and interest on the Bonds to the Participants of DTC as listed on the records of DTC as of each December 1 and June 1 preceding an Interest Payment Date for the Bonds (the "Record Dates").

Principal Amortization

The Bonds will consist of serial bonds maturing on December 15, commencing in 2021, as indicated on the maturity schedule set forth below. The principal amounts of maturity shall be as set forth below.

The Bonds shall mature on December 15 in each year as set forth in the following table:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2021	\$1,100,000	2033	\$2,200,000
2022	1,100,000	2034	2,200,000
2023	1,100,000	2035	2,200,000
2024	1,150,000	2036	2,200,000
2025	1,150,000	2037	2,200,000
2026	1,165,000	2038	2,200,000
2027	1,165,000	2039	2,200,000
2028	2,200,000	2040	2,200,000
2029	2,200,000	2041	2,200,000
2030	2,200,000	2042	2,200,000
2031	2,200,000	2043	2,200,000
2032	2,200,000	2044	2,200,000

Book Entry Only

The Bonds will be issued in book-entry form only, and each certificate will be registered in the name of and held by Cede & Co., as nominee of the DTC, which will act as securities depository for the Bonds. The Bonds will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and will be payable as to both principal and interest in lawful money of the United States of America. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its Participants or the transfers of the interests among its Participants. The Participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. The Winning Bidder will not receive certificates representing its interests in the Bonds. Individual purchases will be in the principal amount of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its Participants. Payments of principal and interest will be made by the paying agent to DTC for subsequent disbursement to Participants to then be remitted to the Beneficial Owners of the Bonds.

The Bonds shall be entitled to the benefits of the New Jersey School Bond Reserve Act, 1980 Laws c.72, as amended and supplemented.

Redemption Provisions

The Bonds of this issue maturing prior to December 15, 2027 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after December 15, 2027 are subject to redemption at the option of the Board in whole or in part on any date on or after December 15, 2026 upon notice as required herein, at one hundred percent (100%) of the principal amount to be redeemed (the "Redemption Price"), together with interest accrued to the date of redemption.

Notice of Redemption ("Notice of Redemption") shall be given by mailing at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, such Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Terms of PARITY

Each electronic bid must be submitted via PARITY. No bidder will see any other bidder's bid, nor will any bidder see the status of its bid relative to other bids (e.g., whether its bid is a leading bid). To the extent any instructions or directions set forth on PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact the Board's Municipal Advisor, Anthony Inverso of Phoenix Advisors, LLC, at (609) 291-0130 or PARITY at (212) 849-5021. The Board may, but is not obligated to, acknowledge its acceptance in writing of any bid submitted electronically via PARITY. When a bid for the Bonds is submitted via PARITY, the bidder further agrees that: the Board may regard the electronic transmission of the bid via PARITY (including information about the purchase price of the Bonds, the interest rate or rates to be borne by the various maturities of the Bonds, the term Bonds, if any, specified, the initial public offering price of each maturity of the Bonds and any other information included in such transmission) as the official "Bid for Bonds" executed by a duly authorized signatory of the bidder. If the bid submitted electronically via PARITY is accepted by the Board, the terms of the bid and this Notice of Sale and the information that is electronically transmitted via PARITY shall form a contract, and the successful bidder shall be bound by the terms of such contract.

PARITY is not an agent of the Board, and the Board shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the Board or information provided by the bidder.

The Board may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via Thomson News Service ("TM3"), or by other available means, no later than 3:00 p.m., Eastern Standard Time, on the last business date prior to the bid date.

Once the bids are communicated electronically via PARITY to the Board, each bid will constitute an official "Bid for Bonds" and shall be deemed to be an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale. For purposes of submitting all "Bids for Bonds" electronically via PARITY, the time as maintained on PARITY shall constitute the official time.

Each bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Board nor PARITY shall have any duty or obligation to provide or assure to any bidder, and neither the Board nor PARITY shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY. The Board is using PARITY as a communication mechanism, and not as the Board's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the Board harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds.

The Board may, in its sole discretion and prior to the electronic receipt of bids, clarify any term hereof, including, without limitation, its decision to discontinue use of electronic bidding via PARITY, by issuing a notification of the clarification via TM3, or any other available means, no later than 11:00 a.m. (Eastern Standard Time) on the Bid Date.

Bidding Details

Bidders should be aware of the following bidding details associated with the sale of the Bonds:

- (1) **BIDDERS MUST SUBMIT A GOOD FAITH CHECK IN THE FORM OF A CERTIFIED, CASHIER'S OR TREASURER'S CHECK, WIRE TRANSFER (PLEASE CONTACT MUNICIPAL ADVISOR FOR WIRE INSTRUCTIONS) OR FINANCIAL SURETY BOND, IF AVAILABLE, IN THE AMOUNT OF \$906,600 PAYABLE TO THE BOARD NO LATER THAN 11:00 A.M. ON DECEMBER 4, 2019. A CERTIFIED, CASHIER'S OR A TREASURER'S CHECK SHOULD BE SENT TO THE FOLLOWING ADDRESS:**

**Attn: Joseph Kelly
c/o Lisa A. Gorab, Esq.
Wilentz, Goldman & Spitzer, P.A.
90 Woodbridge Center Drive
Woodbridge, New Jersey 07095**

BIDDERS SHOULD ALSO ENCLOSE A RETURN ENVELOPE FOR USE BY THE BOARD.

- (2) All Bids must be submitted via PARITY. **No telephone, telefax, telegraph or personal delivery Bids will be accepted.**
- (3) All Bids for the Bonds must be submitted on an AON basis.
- (4) Bidders may bid to purchase the Bonds from the Board with a premium not to exceed \$1,000. No Bid shall be considered that offers to pay an amount less than the total principal amount of Bonds offered for sale or under which the total loan is made at an interest cost higher than the lowest Net Interest Cost to the Board under any legally acceptable Bid.

- (5) Bidders must specify a rate of interest for each maturity of the Bonds which rate of interest must be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%). If more than one rate of interest is named, no interest rate named for any maturity may be less than the interest rate named for any prior maturity and not more than one rate of interest may be named for the Bonds of the same maturity. There is no limitation on the number of rates of interest that may be named. The difference between the highest and lowest rates of interest named shall not exceed three percent (3%).
- (6) Bidders are only permitted to submit Bids for the Bonds during the bidding period.
- (7) The Winning Bidder shall be obligated to furnish to the Board within forty-eight (48) hours prior to the date of delivery of the Bonds a certificate satisfactory to Bond Counsel to the Board to the effect that: (i) each maturity of the Bonds has been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the initial public offering price set forth in such certificate; (ii) ten percent (10%) or more in par amount of the Bonds of each maturity were sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the initial public offering price for such maturity set forth in such certificate; and (iii) at the time the Winning Bidder submitted its bid to the Board, based upon then prevailing market conditions, the Winning Bidder had no reason to believe that any maturity of the Bonds would be sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at a price greater than the initial public offering price for that maturity, or that the fair market of any maturity of the Bonds would be in excess of the initial public offering price for that maturity. In the event the Board receives fewer than three (3) bids for the Bonds, then the issue price of the Bonds shall be established based on the first price at which at least 10% of each maturity of the Bonds was sold to the Public (as defined below). The Winning Bidder shall be required to deliver on the Delivery Date a certificate to such effect, and provide to the Board, in writing, evidence satisfactory to Bond Counsel to the Board of such sales prices for each maturity of the Bonds. In the event that the Winning Bidder has not sold at least 10% of each maturity of the Bonds to the Public as of the Delivery Date (each, an "Unsold Maturity"), the Winning Bidder shall (i) provide to the Board, in writing, on the Delivery Date, the expected offering prices for each Unsold Maturity and a certificate regarding same and (ii) have a continuing obligation to provide to the Board, in writing, evidence satisfactory to Bond Counsel to the Board of the first price at which at least 10% of each Unsold Maturity is sold to the Public, contemporaneous with each such sale, until at least 10% of all such Unsold Maturities have been sold to the Public. Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter (as defined herein) or a related party to the Underwriter. The term "related party" generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly. Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of

the Bonds to the Public. Such certificate shall state that it is made to the best knowledge, information and belief of the Winning Bidder.

- (8) Additionally, the Winning Bidder shall be obligated to furnish to the Board within forty-eight (48) hours of the Bid Date the public offering prices and reoffering yields for each maturity of each series of Bonds.

Definitions

- “Bid” any confirmed purchase offer received by PARITY on or before the bid submission deadline.
- “Bidder” any firm registered and approved for participation in the sale.
- “Net Interest Cost” computed by adding to the total principal amount of bonds bid for, the total interest cost to maturity in accordance with such bid and by deduction therefrom of the amount of premium, if any. The Net Interest Cost serves as the basis for awarding the Bonds to winning Bidders.
- “Winning Bid” any purchase offer made by a Bidder and received by PARITY which, at the end of the bidding time period, results in the lowest NIC which is acceptable to the Board.

Bid Procedure and Basis of Award

Subject to the right reserved by the Board to reject any or all Bids, the Bonds will be sold to the Bidder whose Bid produces the lowest NIC for the Board and otherwise complies with this Notice of Sale.

Bids must remain valid until at least 2:00 p.m., prevailing time, on the date of the sale, and if accepted by the Board, prior to such time, shall be irrevocable except as otherwise provided in this Notice of Sale. Upon selection of the winning Bidder, the Board will execute an award certificate to award the Bonds and will promptly communicate with the winning Bidder by telephone, e-mail or fax.

Bid Security and Method of Payment for the Bonds

A Good Faith Deposit (“Deposit”) in the form of a certified or cashier’s or treasurer’s check, wire transfer or a Financial Surety Bond, if available, in the amount of \$906,600, payable to the order of the Board, is required for each bid to be considered. Wire instructions may be obtained by contacting Lisa A. Gorab, Esq., Bond Counsel at (732) 855-6459 or lgorab@wilentz.com or the Board’s Municipal Advisor, Anthony Inverso of Phoenix Advisors, LLC, at (609) 291-0130, ainverso@muniadvisors.com and such wire must be received and confirmed by the Board prior to 11:00 a.m. on December 4, 2019. If a check is used, it must be a certified, cashier’s or treasurer’s check and must be provided to the Board no later than 11:00 a.m. on December 4, 2019. Each bidder accepts responsibility for delivering such deposit on time and the Board is not responsible for any deposit that is not received on time. If a Financial Surety Bond is available and is used, it must be from an insurance company licensed to issue such a bond in the State of New Jersey and approved by the Director of the Division of Local Government Services in the New Jersey Department of Community Affairs (the “Director”) and such bond must be submitted to the Board no later than 11:00 a.m. on December 4, 2019 at the address referred to above. Use of any other Financial Surety Bond must be approved by the Director prior to the bid and will not be accepted by the

Board unless evidence of such approval is provided prior to the bid. The Financial Surety Bond must identify the bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that Winning Bidder is required to submit its Deposit to the Board by wire transfer as instructed by the Board not later than 3:30 p.m. on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Board to satisfy the Deposit requirement. No interest on the Deposit will accrue to the Winning Bidder. The Deposit will be applied to the purchase price of the Bonds. In the event the Winning Bidder fails to honor its accepted bid, the Deposit will be retained by the Board. Award of the Bonds to the successful Bidder or rejection of all Bids is expected to be made within two hours after opening of the bids, but such successful Bidder may not withdraw its proposal until after 2:00 p.m. of the day for receipt of such Bids and then only if such award has not been made prior to the withdrawal. The balance of the purchase price shall be paid in Federal Funds by wire transfer to the Board on or about December 19, 2019.

Right to Reject Bids; Waive Irregularities

The Board reserves the right to reject any and all Bids and to the extent permitted by law to waive any irregularity or informality in any Bid.

Delivery of the Bonds

The Bonds will be delivered on or about December 19, 2019 (UNLESS A NOTICE OF A CHANGE IN THE DELIVERY DATE IS PUBLISHED ON PARITY NOT LATER THAN 2 HOURS PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS) in Jersey City, New Jersey at DTC against payment of the purchase price therefor (less the amount of the good faith deposit). PAYMENT FOR THE BONDS AT THE TIME OF ORIGINAL ISSUANCE AND DELIVERY SHALL BE BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS.

There will also be furnished the usual closing documents, including (1) a certificate, in form and tenor satisfactory to Bond Counsel and dated as of the date of such delivery of the Bonds, to the effect that there is no litigation pending or (to the knowledge of the signer or signers thereof) threatened affecting the validity of the Bonds, (2) certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds, the receipt of payment therefor and compliance with the requirements of the Code (as defined below) necessary to preserve tax exemption, (3) a certificate signed by the Board relating to the Official Statement, and (4) a Continuing Disclosure Certificate evidencing compliance with the Rule (as defined herein) and the undertaking of the Board with respect thereto.

CUSIP Identification Numbers

CUSIP Identification Numbers will be applied for with respect to the Bonds. The Municipal Advisor shall be responsible for making the application for the assignment of CUSIP Identification Numbers and the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Winning Bidder of the Bonds. The Board will assume no obligation for the assignment or printing of such numbers on the bond certificates or for the correctness of such numbers, and neither the failure to print such numbers on any bond certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Winning Bidder thereof to accept delivery of and make payment for the Bonds.

Legal Opinion

The approving opinion of Bond Counsel relating to the Bonds will be furnished without cost to the Winning Bidder, in substantially the form set forth in the Official Statement distributed in preliminary form in connection with the sale of the Bonds. Such opinion will state that the Bonds are valid and legally binding obligations of the Board, that all the taxable property therein will be subject to the levy of *ad valorem* taxes to pay the Bonds and the interest thereon without limitation as to rate or amount and that interest on the Bonds is not includable as gross income under current law if the Board complies with all conditions subsequent contained in the Internal Revenue Code of 1986, as amended (the "Code") and that interest on the Bonds and any gain on the sale thereof is not includable as gross income under the existing New Jersey Gross Income Tax Act.

Postponement

The Board reserves the right to postpone, from time to time, the date and time established for receipt of Bids. **ANY SUCH POSTPONEMENT WILL BE PUBLISHED OR POSTED BEFORE 11:00 A.M. ON THE DAY OF THE SALE.** If any date fixed for the receipt of Bids and the sale of the Bonds is postponed, an alternative sale date will be announced via TM3 at least forty-eight (48) hours prior to such alternative sale date. On any such alternative sale date, any Bidder may submit a Bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale, except for the date of sale and except for the changes announced on www.MuniHub.com and www.govdebt.net at the time the sale date and time are announced.

Adjustments

The Board further reserves the right to adjust the maturity schedule of the Bonds up to twenty-four (24) hours prior to the date of sale indicated herein, which adjustment shall not exceed ten percent (10%) of the principal amount of any maturity or in the aggregate, the overall issue. **ANY SUCH ADJUSTMENT WILL BE PUBLISHED ON WWW.MUNIHUB.COM AND WWW.GOVDEBT.NET.**

Termination

The Winning Bidder at its option may refuse to accept delivery and pay the purchase price of the Bonds if prior to their delivery any change in any income tax law of the United States of America, shall provide that the interest thereon is includable or shall be includable in gross income at a future date for Federal income tax purposes. In such case, the deposit made by such Winning Bidder shall be returned and such bidder will be relieved of its contractual obligations arising from the acceptance of its Winning Bid.

Additional Information

For further information relating to the Bonds, reference is made to the POS prepared for and authorized by the Board. This Notice of Sale and the POS may be viewed on www.MuniHub.com and www.govdebt.net. However, the Board makes no assurance or representation with respect to the form of this Notice of Sale and the POS on www.MuniHub.com and www.govdebt.net and no investment decision should be made in reliance thereon. Printed copies of the POS and this Notice of Sale may be obtained from Bond Counsel at the address and phone number stated above. Additional information relating to the Board can be obtained by contacting Joseph P. Kelly, Business Administrator/Board Secretary, The Board of Education of the Borough of Rutherford, 176 Park Avenue, Rutherford, New Jersey 07070, (201) 939-1718.

/s/ Joseph P. Kelly,
Joseph P. Kelly,
Business Administrator/Board Secretary
The Board of Education of the Borough of
Rutherford in the County of Bergen,
New Jersey

Dated: November 25, 2019

NEW ISSUE – Book-Entry Only

Rating: S&P: “AA-”
See “RATING” herein

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as herein defined) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See “TAX EXEMPTION” herein.

\$45,330,000
SCHOOL BONDS, SERIES 2019
THE BOARD OF EDUCATION OF THE BOROUGH OF RUTHERFORD
IN THE COUNTY OF BERGEN, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)

CALLABLE

Dated: Date of Delivery

Due: December 15, as shown on inside cover

The \$45,330,000 aggregate principal amount of School Bonds, Series 2019 (the “Bonds”), of The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. See “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of June and December in each year, commencing December 15, 2020, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding December 1 and June 1 (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as set forth herein. See “DESCRIPTION OF THE BONDS – Redemption” herein.

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Wilentz, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by Fogarty & Hara, Fair Lawn, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about December 19, 2019.

ELECTRONIC SUBMISSIONS FOR THE BONDS, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, MUST BE MADE VIA PARITY PRIOR TO 11:00 A.M. EASTERN STANDARD TIME ON DECEMBER 4, 2019. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM AND WWW.GOVDEBT.NET.

This is a Preliminary Official Statement, complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Board has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Board will deliver a final Official Statement within the earlier of seven (7) business days following such sale or to accompany the purchaser's confirmations requesting payment for the Bonds.

\$45,330,000
THE BOARD OF EDUCATION OF THE
BOROUGH OF RUTHERFORD
IN THE COUNTY OF BERGEN, NEW JERSEY
SCHOOL BONDS, SERIES 2019

(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)
CALLABLE

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS AND CUSIP NUMBERS

<u>Maturity</u> (December 15)	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers</u> *
2021	\$1,100,000			783311__
2022	1,100,000			783311__
2023	1,100,000			783311__
2024	1,150,000			783311__
2025	1,150,000			783311__
2026	1,165,000			783311__
2027	1,165,000			783311__
2028	2,200,000			783311__
2029	2,200,000			783311__
2030	2,200,000			783311__
2031	2,200,000			783311__
2032	2,200,000			783311__
2033	2,200,000			783311__
2034	2,200,000			783311__
2035	2,200,000			783311__
2036	2,200,000			783311__
2037	2,200,000			783311__
2038	2,200,000			783311__
2039	2,200,000			783311__
2040	2,200,000			783311__
2041	2,200,000			783311__
2042	2,200,000			783311__
2043	2,200,000			783311__
2044	2,200,000			783311__

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

**THE BOARD OF EDUCATION OF THE
BOROUGH OF RUTHERFORD
IN THE COUNTY OF BERGEN, NEW JERSEY**

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

The information contained herein has been provided by the Board, DTC and other sources deemed reliable by the Board; however, such information is not guaranteed as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Board, as to information from sources other than itself. The Board has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. 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 circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

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

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OFFICIAL STATEMENT

OF

THE BOARD OF EDUCATION OF THE BOROUGH OF RUTHERFORD IN THE COUNTY OF BERGEN, NEW JERSEY

\$45,330,000

SCHOOL BONDS, SERIES 2019

(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)

CALLABLE

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$45,330,000 aggregate principal amount of School Bonds, Series 2019 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

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

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

Redemption

The Bonds of this issue maturing prior to December 15, 2027 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after December 15, 2027 are redeemable at the option of the Board in whole or in part on any date on or after December 15, 2026 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Security for the Bonds

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the School District without limitation as to rate or amount. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

School Bond Reserve Act (1980 N.J. Laws c. 72)

All school bonds are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The 2003

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

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

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

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to (i) Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board on June 3, 2019, and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on September 24, 2019 and (iii) a resolution duly adopted by the Board on October 28, 2019 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of 40% of the eligible costs of such Project. As such, the State has agreed to pay 23.53% of the annual debt service on the Bonds each year.

BOOK-ENTRY ONLY SYSTEM

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

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct 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 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, nor its nominee, Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or 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 Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Board or Paying Agent. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board or its paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the registrar for such purposes only upon the surrender thereof to the Board or its paying agent together with the duly executed assignment in form satisfactory to the Board

or its paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board or its paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

THE SCHOOL DISTRICT AND THE BOARD

The Board is a nine (9) member board with members elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports to the Superintendent of Schools.

The School District is a Type II school district, the geographical boundaries of which are coterminous with the Borough of Rutherford, in the County of Bergen, State of New Jersey (the "Borough"), educating students in grades Pre-Kindergarten (Pre-K) through twelve (12). The School District operates five (5) school facilities, including three (3) elementary schools, one (1) middle school and one (1) high school. All Kindergarten classes are held in an additional facility that is annexed to Lincoln Elementary School. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Borough of Rutherford, in the County of Bergen, State of New Jersey."

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner with the advice and consent of the State Senate. The County Superintendent is the local representative of the Commissioner. The County Superintendent is responsible for the daily supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and

Consolidation Act, P.L. 2007, c. 63, effective April 3, 2007, the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate districts through the establishment or enlargement of regional school districts, subject to voter approval.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

(2) Type II, in which the registered voters within a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters with the exception set forth in the new Budget Election Law (as hereinafter defined in "School Budgetary Process"), or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, and approves all fiscal matters;

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

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

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

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

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I district, or the board of education in a Type II district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district without a board of school estimate.

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

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

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

The Budget Election Law, P.L. 2011, c. 202, effective January 17, 2012 (the "Budget Election Law") establishes procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least fifteen percent (15%) of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the two percent (2%) property tax levy cap as provided in the Tax Levy Cap Law (as hereinafter defined).

The Board conducts its annual election in November.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "CEIFA"), as amended by P.L. 2004, c. 732, effective July 1, 2004, also limited the annual increase in a school district's net budget by a spending growth limitation. The CEIFA limited the amount school districts can increase their annual current expense and capital outlay budgets (the "Spending Growth Limitations"). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (3%). Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of sixty (60%) at the annual school election.

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

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

Debt service was not limited either by the Spending Growth Limitations or the four percent (4%) cap on the tax levy increase imposed by chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, effective July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of two percent (2%) over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of two percent (2%), certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the "Tax Levy Cap Law"). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy cap by a separate proposal can bank the unused tax levy for use in any of the next three (3) succeeding budget years. A school district can request a use of "banked cap" only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, effective July 24, 2018, which

increases State school aid to underfunded school districts and decreases state school aid to overfunded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban districts formerly referred to as Abbott Districts referred to herein under "SUMMARY OF STATE AID TO SCHOOL DISTRICTS", are permitted increases in the tax levy over the two percent (2%) limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one (1) year must be treated as operating expenses. Accordingly, under the Department of Education's Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its two percent (2%) tax levy cap on spending.

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years, (ii) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district), and (iii) there must be filed with the State by each municipality comprising a school district a Supplemental Debt Statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

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

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

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

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

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five (5) years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), repealed the authorization to enter into facilities leases in excess of five (5) years. The payment of rent on an equipment lease and on a five (5) year and under facilities lease is treated as a current expense and within the cap on the school district's budget. Under the CEIFA, lease purchase payments on leases in excess of five (5) years issued under prior law are treated as debt

service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's tax levy cap.

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a Kindergarten (K) through grade twelve (12) school district, the School District can borrow up to four percent (4%) of the average equalized valuation of taxable property in the School District. The School District has not exceeded its four percent (4%) debt limit. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Borough of Rutherford, in the County of Bergen, State of New Jersey."

Exceptions to Debt Limitation

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

Energy Saving Obligations

Under P.L. 2009, c. 4, approved January 21, 2009 and effective 60 days thereafter, school districts may issue "energy savings obligations" without voter approval to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements provided that the amount of the savings will cover the cost of the improvements.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included QEA, CEIFA and EFCFA. For many years aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, effective January 1, 2008, attempts to remove the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that

the State's then current plan for school aid was a "constitutionally adequate scheme." However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for fiscal year 2019 and with the enactment of P.L. 2018, c. 67, effective July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next seven (7) years and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

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

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

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

Pursuant to P.L. 2018, c. 67, effective 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 (7) 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 (5) 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.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), governs the issuance of bonds and notes to finance certain municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough is limited by statute, subject to certain exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the Borough as annually determined by the New Jersey Board of Taxation are set forth in APPENDIX A.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

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

A municipality may sell "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as it may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, New Jersey Department of Community Affairs (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it has been certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law, N.J.S.A. 40A:4-1 et seq. (the "Local Budget Law") requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit, may review the adequacy of such appropriations.

Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year in which they were issued.

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

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

A provision in the Local Budget Law, N.J.S.A. 40A:4-26, provides that: "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full

membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon taxable property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Fiscal Year Adjustment Law (1991 N.J. Laws c. 75)

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the act is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law, or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Appropriations “Cap”

The New Jersey “Cap Law” (the “Cap Law”) (N.J.S.A. 40A:4-45.1 et seq.) places limits on municipal tax levies and expenditures. The Cap Law provides that a local unit shall limit any increase in its budget to two and one-half percent (2.5%) or the Cost-Of-Living Adjustment (as defined in the Cap Law), whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than two and one-half percent (2.5%), a local unit may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the local unit for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than three and one-half percent (3.5%) over the previous year’s final appropriations. In addition, N.J.S.A. 40A:4-45.15a restored “cap” banking to the Local Budget Law. Municipalities are permitted to appropriate available “cap bank” in either of the next two (2) succeeding years’ final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “cap”.

Additionally, P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty (50%).

The Division has advised that counties and municipalities must comply with both the budget “cap” and the tax levy limitation. Neither the tax levy limitation nor the Cap” Law, however, limits the obligation of the county or municipality to levy *ad valorem* taxes upon all taxable property within its boundaries to pay debt service on its bonds and notes.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income (where appropriate). Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. However, a divergence of the assessment ratio to true value is typically due to changes in market value over time.

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

Generally, tax bills are mailed annually in June of the current fiscal year. The taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged for the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00. Pursuant to 1991 N.J. Laws c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest rates are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

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

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

This law regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

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

FINANCIAL STATEMENTS

The audited financial statements of the Board as of and for the fiscal year ended June 30, 2018 together with the notes to the financial statements have been provided by Bowman & Company LLP, Voorhees, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). See "APPENDIX B – Financial Statements of The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey."

MUNICIPAL ADVISOR

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

LITIGATION

To the knowledge of the Board Attorney, Fogarty & Hara, Fair Lawn, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened against the Board, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for

the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX EXEMPTION

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause such interest to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds, and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

Premium Bonds

[The Bonds [maturing on December 15 in the years 20__ through 20__, inclusive (collectively, the "Premium Bonds")], have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

Discount Bonds

[Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on December 15 in the years 20__ through 20__, inclusive (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the [Discount] Bonds, the amount of such original issue discount which is treated as having accrued with respect to the [Discount] Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the [Discount] Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

Additional Federal Income Tax Consequences Relating to Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See "APPENDIX C – Form of Approving Legal Opinion" for the complete text of the proposed form of Bond Counsel's approving legal opinion.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the Federal and State tax-exempt status of interest on the Bonds and the State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, State, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO ALL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF HOLDING THE BONDS.

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Municipal Bankruptcy

THE BOARD HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR

THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the Board should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a political subdivision must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter by a certificate signed by the Board President and Business Administrator/Board Secretary. See "CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT" herein.

Bond Counsel has participated in the preparation and review of this Official Statement but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Municipal Advisor has participated in the review of this Official Statement but has not participated in the preparation of this Official Statement or in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

The Auditor has participated in the preparation of the information contained in APPENDIX A hereto and also takes responsibility for the Financial Statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

The Board Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA-" to the Bonds based upon the creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

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

UNDERWRITING

The Bonds are being purchased from the Board at a public sale by _____ (the "Underwriter"), at a price of \$_____. The purchase price of the Bonds reflects the par amount of Bonds equal to \$45,330,000.00, less an Underwriter's discount of \$_____ and plus a[n] [net] original issue premium of \$_____. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

The Underwriter intends to offer the 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 Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at yields higher than the public offering yields set forth on the inside cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in the Continuing Disclosure Certificate set forth in "APPENDIX D – Form of Continuing Disclosure Certificate."

The Board has previously entered into continuing disclosure undertakings under the Rule. The Board appointed Phoenix Advisors, LLC in November of 2014 to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Joseph P. Kelly, (201) 939-1718, or to Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6459.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

The Board has authorized the preparation of this final Official Statement containing pertinent information relative to the Bonds, and this Official Statement is deemed to be the final Official Statement as required by Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. By awarding the Bonds to the Underwriter, the Board agrees that, within the earlier of seven (7) business days following the date of such award or to accompany the purchasers' confirmations requesting payment for the Bonds, it shall provide without cost to the Underwriter, for distribution purposes, copies of this final Official Statement. The Underwriter agrees that (i) it shall accept such designation, and (ii) it shall assure the distribution of the final Official Statement.

**THE BOARD OF EDUCATION OF THE BOROUGH OF
RUTHERFORD IN THE COUNTY OF BERGEN, NEW
JERSEY**

**JOSEPH P. KELLY,
Business Administrator/Board Secretary**

DATED: December ____, 2019

APPENDIX A

**Certain Economic and Demographic Information Relating to the
School District and the Borough of Rutherford,
in the County of Bergen, State of New Jersey**

GENERAL INFORMATION ON THE SCHOOL DISTRICT (1)

The public school system in the Borough of Rutherford, in the County of Bergen, State of New Jersey (the "Borough"), is operated by The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed thereby), as a Type II school district. The School District is coterminous with the Borough which is approximately 2.6 square miles.

The School District provides a full range of educational services for students in grades Pre-Kindergarten through twelve (12). The Board functions independently through a nine (9) member board elected by the School District's voters to staggered three (3) year terms. The Board appoints a Superintendent and a School Business Administrator/Board Secretary who are responsible for budgeting, planning and operational functions of the School District. The Board operates three (3) elementary schools, one (1) middle school and one (1) high school.

BOROUGH OF RUTHERFORD SCHOOL DISTRICT SCHOOL ENROLLMENTS(1)

<u>Grade</u>	<u>2015</u>	<u>2016</u>	<u>October 15, 2017</u>	<u>2018</u>	<u>2019(2)</u>
Pre-K		43	50	45	45
K	149	183	171	165	187
1	168	163	195	168	162
2	176	173	163	191	174
3	188	176	170	161	189
4	189	198	178	170	168
5	180	188	191	180	170
6	165	187	202	193	179
7	190	166	179	194	195
8	179	194	168	177	193
9	190	163	164	158	166
10	149	186	161	158	154
11	158	152	183	161	158
12	176	154	150	185	164
Special Education	<u>201</u>	<u>234</u>	<u>254</u>	<u>287</u>	<u>297</u>
Totals	<u>2,458</u>	<u>2,560</u>	<u>2,579</u>	<u>2,593</u>	<u>2,601</u>

PRESENT SCHOOL FACILITIES, ENROLLMENT AND CAPACITY(1)

<u>Name of School</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Grades</u>	<u>Enrollment Oct. 15, 2019(2)</u>	<u>Functional Capacity</u>
Lincoln Elementary School	1912	2005	K-3	532	350
Washington Elementary	1912	2005	1-3	314	304
Union Middle School	1926	2006	7-8	441	530
Pierrepont Elem. School	1906	1928,1932,1978,1980	4-6	580	533
Rutherford High School	1922	1958,2005	9-12	<u>734</u>	<u>775</u>
Totals				<u>2,601</u>	<u>2,492</u>

(1) Source: School District officials

(2) Estimate

School District Employees(1)

	<u>June 30,</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Totals	<u>323</u>	<u>325</u>	<u>326</u>	<u>327</u>	<u>344</u>

Employee Collective Bargaining Unit

The teachers of the School District are represented in labor relations matters by the New Jersey Educational Association ("NJEA"). The current labor contract of the Board with the NJEA expires June 30, 2022.

Vacation, Personal Days and Sick Leave

School District employees are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policy. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the School District for the unused sick leave in accordance with the School District's agreements with the various employee unions.

Pension and Retirement 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. 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 New Jersey Division of Pensions and Benefits. 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.

School District Budget

The Board of Education elected to move their elections to November in accordance with the Budget Election Law.

Therefore, the following five years general fund tax levies were within the 2.0% State CAP and no approval by the voters was required:

<u>Budget</u> <u>Year</u>	<u>General Fund Tax Levy</u> <u>As Originally Proposed</u>
2019-2020	\$42,491,007
2018-2019	41,372,562
2017-2018	40,196,620
2016-2017	39,067,666
2015-2016	38,204,351

(1) Source: School District Officials.

OTHER EDUCATION FACILITIES

Bergen County Technical Schools

The Bergen County Technical Schools District was founded in 1951 to oversee the County's growing need for vocational education. The Bergen County Vocational-Technical High School, the first full-time facility of its kind in the state, opened in 1952, offering students training in plumbing, carpentry, masonry, and electrical work. When industry's needs later changed from hand tools to computers, technical education in the District was adapted to meet the needs of an evolving job market and provide students strong academic and technical skills to meet the challenges of the future. In the late 1980s, the district began offering before- and after-school enrichment classes for students interested in high-tech areas such as computers, physics, and electronics. The program opened the world of modern vocational education to gifted and talented students

Today, the district's secondary programs include Applied Technology High School, a full-time, four year high school program with a concentration in advanced manufacturing and engineering technology located on the Paramus campus of Bergen Community College; the Bergen County Academies, seven magnet high school programs that meld college prep classes with a career focus; Bergen County Technical High School/Paramus, a secondary program with a full-time option for special needs students and a shared-time option for students from local sending districts; and Bergen County Technical High School/Teterboro, a full-time program with nine technical concentrations. The District offers full- and part-time technical instruction to over 18,000 secondary and adult students.

Bergen Community College

Founded in 1965 to satisfy the region's need for a convenient, affordable and comprehensive higher education destination, Bergen Community College now enrolls nearly 17,000 students in its academic degree programs. The College's three sites in Paramus (main campus), Hackensack (Ciarco Learning Center) and Lyndhurst (Bergen Community College at the Meadowlands) serve more than 32,000 students in degree, continuing education and adult education programs.

Upon graduation, students not only utilize the statewide transfer agreement to attend New Jersey's four-year schools, but use Bergen's reputation as a top community college to propel them to institutions nationwide. Other students enter careers with the skills they need in order to succeed. Bergen Community College is accredited by the Middle States Commission on Higher Education.

Fairleigh Dickinson University – “FDU”

The largest private university in New Jersey, Fairleigh Dickinson University (“FDU”) is a not-for-profit, nonsectarian, multicampus institution. Founded in 1942, FDU achieved four-year status in 1948 and approval as a university in 1956.

The University offers over 100 undergraduate and graduate degree programs, including doctoral programs in pharmacy, nursing practice, clinical psychology and school psychology; and an AACSB-accredited business school. Degree programs are offered on two New Jersey campuses Florham and Metropolitan and at two FDU locations outside the U.S.: Wroxton College, in Oxfordshire in England, and the Vancouver Campus, in British Columbia, Canada.

FDU's 11,500 full- and part-time students pursue quality career-oriented programs on schedules tailored to their needs -- days, evenings and weekends.

The curriculum reflects a mission of global education and a foundation of a world-renowned University Core.

Florham Campus - In Madison, NJ, the Florham Campus is a friendly small-college environment on picturesque grounds near historic Morristown. The campus is dedicated to giving students an exceptional learning experience, including residential and honors programs.

Metropolitan Campus - Our Metropolitan Campus bridges the residential communities of Teaneck and Hackensack. A relaxed suburban setting just ten miles from New York City, the Metropolitan Campus attracts a diverse student population. More than a third are minority or international students, from throughout the U.S. and over 71 nations.

New Jersey Institute of Technology – “NJIT”

Since its founding in 1881, NJIT has been transformed from a local technical school to one of America's top tier national research universities. While moving steadily to increasingly higher levels of excellence in educational performance, NJIT has become a research and development hub, participating in entrepreneurial development and building business partnerships through research and development initiatives. NJIT was recently designated as an R1 research university by Carnegie Classification which places the University among the 131 most prolific research universities in the nation. NJIT has evolved into an international presence, both in the scope of its educational programs, including on-site and distance learning offerings, attraction of international students to its programs, and through the reach of its educational, scientific, and technological influence at international forums and in international research projects.

As New Jersey's science, technology and design university, NJIT has earned a solid reputation as one of the nation's preeminent STEM-based educational and research institutions. NJIT is a student-centered, urban research university, committed to the pursuit of excellence in undergraduate, graduate, and continuing professional education, in the conduct of research, in contributing to the economic development of the State of New Jersey (the State), and in service to both its local communities and the broader society of the State and the nation. With enrollment of more than 11,400 undergraduate and graduate students, NJIT offers small-campus intimacy with the resources of a major public research university. NJIT offers over fifty undergraduate degree programs and approximately sixty graduate degree programs, including nineteen programs leading to a Ph.D. degree in a professional discipline. NJIT also operates a small business incubator whose mission is to accelerate the successful development of entrepreneurial companies through an array of business support resources and services.

NJIT, a public research university, includes six collegiate units: Newark College of Engineering, Ying Wu College of Computing, College of Architecture and Design, College of Science and Liberal Arts, Martin Tuchman School of Management, and Albert Dorman Honors College; a graduate division; a continuing education program; and a number of research centers. Fields of study include engineering, computer science, architecture, applied sciences, management, statistics, and actuarial science. NJIT offers programs and courses leading to bachelors, masters, and doctoral degrees, and also conducts an extensive research program.

SCHOOL DISTRICT BUDGETS*

	<u>2019-2020</u>	<u>2018-2019</u>
Revenues:		
General Fund:		
Budgeted Fund Balance	\$ 375,937	\$ 504,925
Withdraw from Capital Reserve	400,951	507,450
	<hr/>	<hr/>
Subtotal	776,888	1,012,375
	<hr/>	<hr/>
Revenues from Local Sources:		
Local Tax Levy	42,491,007	41,372,562
Tuition	445,850	312,450
Transportation Fees from Individuals	78,000	78,000
Interest Earned on Capital Reserve Funds	100	100
Unrestricted Miscellaneous Revenues	40,000	40,000
	<hr/>	<hr/>
Subtotal	43,054,957	41,803,112
	<hr/>	<hr/>
Revenues from Federal Sources:		
Medicaid Reimbursement	24,628	24,521
	<hr/>	<hr/>
Revenues from State Sources:		
Equalization Aid	815,410	815,410
Categorical Special Education Aid	1,545,327	1,509,423
Categorical Transportation Aid	209,359	210,277
Categorical Security Aid	133,835	133,835
Extraordinary Aid	200,000	200,000
	<hr/>	<hr/>
Subtotal	2,903,931	2,868,945
	<hr/>	<hr/>
Total General Fund	46,760,404	45,708,953
	<hr/>	<hr/>
Revenues from Federal Sources		
Title II	200,000	210,000
IDEA Part B	400,000	414,000
	<hr/>	<hr/>
Total Revenues from Federal Sources	600,000	624,000
	<hr/>	<hr/>
Revenues from State Sources		
Other Restricted Entitlements	250,000	250,000
	<hr/>	<hr/>
Total Grants and Entitlements	850,000	874,000
	<hr/>	<hr/>
Debt Service:		
Budgeted Fund Balance		
Local Tax Levy	1,330,100	1,331,500
	<hr/>	<hr/>
Total Debt Service	1,330,100	1,331,500
	<hr/>	<hr/>
Total Revenues/Sources	\$ 48,940,504	\$ 47,914,453
	<hr/> <hr/>	<hr/> <hr/>

* As originally approved

SCHOOL DISTRICT BUDGETS*

	<u>2019-2020</u>	<u>2018-2019</u>
Appropriations:		
General Current Expense:		
Regular Programs--Instruction	\$ 16,137,134	\$ 15,652,007
Special Education-Instruction	1,341,288	1,257,811
Basic Skills/Remedial-Instruction	870,838	858,834
Bilingual Education-Instruction	131,104	131,104
School-Sponsored Co/Extra-Curricular Activities-Instruction	178,000	173,000
School Sponsored Athletics-Instruction	751,569	740,939
Summer School	78,350	50,000
Instructional Alternative Ed Program	163,012	97,844
Undistributed Expenditures:		
Instruction (Tuition)	4,543,824	4,654,251
Attendance and Social Work Services	68,841	71,909
Health Services	519,469	518,654
Other Support Services--Speech OT, PT and Related Services	335,575	334,109
Other Support Services--Students Extra Services	1,233,820	1,265,781
Other Support Services-Students-Guidance	912,612	907,367
Other Support Services-Students-Child Study Teams	946,116	944,616
Improvement of Instructional Services	14,870	13,570
Education Media Services - School Library	698,173	703,930
Instructional Staff Training Services	8,000	8,000
Support Services-General Administration	662,407	632,407
Support Services-School Administration	2,732,891	2,708,876
Central Services	765,874	759,521
Administration/Information Technology	323,937	328,459
Operation and Maintenance of Plant Services	3,987,561	3,810,810
Student Transportation Services	1,471,087	1,459,695
Personal Services-Employee Benefits	7,445,481	7,023,857
	<hr/>	<hr/>
Total Undistributed Expenditures	26,670,538	26,145,812
	<hr/>	<hr/>
Total General Current Expenses	46,321,833	45,107,351
Capital Outlay:		
Equipment	13,800	82,350
Facilities, Acquisition and Construction Services	400,951	507,450
Interest Deposit to Capital Reserve	100	100
	<hr/>	<hr/>
Total Capital Outlay	414,851	589,900
Transfer of Funds to Charter Schools		
	<hr/>	<hr/>
General Fund Grand Total	46,760,404	45,708,953
Special Grants and Entitlements - State and Federal Programs		
Nonpublic Textbooks	25,000	25,000
Nonpublic Auxiliary Services	75,000	75,000
Nonpublic Handicapped Services	70,000	70,000
Nonpublic Nursing Services	70,000	70,000
Nonpublic Technology Initiative	10,000	10,000
Title II	200,000	210,000
IDEA Part B	400,000	414,000
	<hr/>	<hr/>
Total Special Revenue Funds	850,000	874,000
Debt Service Funds:		
Debt Service-Regular	<hr/>	<hr/>
	1,330,100	1,331,500
	<hr/>	<hr/>
Total Debt Service Funds	1,330,100	1,331,500
	<hr/>	<hr/>
Total Expenditures/Appropriations	\$ 48,940,504	\$ 47,914,453
	<hr/>	<hr/>

* As originally approved

RUTHERFORD SCHOOL DISTRICT
HISTORICAL, REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES (1)

	Fiscal Year Ended June 30,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES:					
Tax Levy	\$ 41,531,633.00	\$ 40,533,916.00	\$ 39,690,240.00	\$ 38,156,764.00	\$ 37,262,106.00
Tuition Charges	196,287.89	180,779.00	12,969.00	11,853.00	
Miscellaneous	138,521.29	164,882.65	75,012.64	105,208.72	79,304.81
State Sources	9,359,332.30	8,631,462.24	8,360,636.44	7,338,751.03	6,919,975.53
Federal Sources	718,295.28	786,398.08	762,530.89	642,693.09	617,653.86
Total Revenue	<u>51,944,069.76</u>	<u>50,297,437.97</u>	<u>48,901,388.97</u>	<u>46,255,269.84</u>	<u>44,879,040.20</u>
EXPENDITURES:					
Instruction					
Regular Instruction	15,425,204.04	15,888,881.85	15,576,999.79	13,798,522.40	13,197,156.38
Special Education Instruction	1,953,093.41	2,486,837.57	2,130,599.27	3,788,633.89	3,715,093.08
Other Special Instruction	1,871,341.45	1,168,503.57	1,221,912.46	1,296,619.10	1,272,722.38
Tuition	4,385,168.35	4,228,235.89	4,881,580.58	4,044,262.39	3,547,315.97
Support Services:					
Student and Instruction Related Services	4,578,137.89	4,205,925.60	4,098,505.08	3,817,689.65	3,661,410.34
School Administrative Services	2,616,395.75	1,772,973.28	1,798,633.52	1,755,395.44	1,723,655.19
General and Business Admin. Services	881,158.68	861,478.11	843,465.23	1,499,806.26	1,487,629.90
Plant Operations and Maintenance	3,686,686.84	3,551,067.50	3,523,414.29	3,679,707.78	3,916,400.00
Pupil Transportation	1,479,331.01	1,418,199.82	1,253,485.73	978,282.08	1,133,943.99
Other Support Services	13,111,480.17	11,394,600.58	10,765,330.23	9,504,917.20	8,316,754.17
Transfer to Charter School	10,915.00	19,647.00			
Capital Outlay	1,305,255.54	1,059,236.70	1,832,250.88	1,698,576.89	1,543,785.86
Debt Service:					
Principal	840,000.00	940,000.00	920,000.00	920,000.00	890,000.00
Interest and Other Charges	570,679.00	601,376.00	565,350.00	604,450.00	642,275.00
Total Expenditures	<u>52,714,847.13</u>	<u>49,596,963.47</u>	<u>49,411,527.06</u>	<u>47,386,863.08</u>	<u>45,048,142.26</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(770,777.37)	700,474.50	(510,138.09)	(1,131,593.24)	(169,102.06)
OTHER FINANCING SOURCES (USES):					
Proceeds from Issuance of Refunding Bonds		11,115,000.00			
Payment to Refunded Debt Escrow Agent		(12,147,722.50)			
Premium from Issuance of Refunding Bonds		1,032,722.50			
Capital Lease	495,625.93		646,662.80	576,825.00	208,363.94
Transfers In	633,062.44	63,312.00	702,993.84	721,036.78	617,417.00
Transfers Out	(648,062.44)	(88,312.00)	(763,148.52)	(752,172.50)	(630,677.00)
Total Other Financing Sources (Uses)	<u>480,625.93</u>	<u>(25,000.00)</u>	<u>586,508.12</u>	<u>545,689.28</u>	<u>195,103.94</u>
Net Change in Fund Balances	(290,151.44)	675,474.50	76,370.03	(585,903.96)	26,001.88
Fund Balances - July 1	3,787,812.50	3,112,338.00	3,035,967.97	3,621,871.93	3,595,870.05
Fund Balances - June 30	<u>\$ 3,497,661.06</u>	<u>\$ 3,787,812.50</u>	<u>\$ 3,112,338.00</u>	<u>\$ 3,035,967.97</u>	<u>\$ 3,621,871.93</u>

(1) Source: School District CAFRs

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

	Fiscal Year Ended June 30,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:					
Charges for Services:					
Daily Sales - Non-Reimbursable Programs					
School Lunch Program	\$ 73,917.60	\$ 66,950.07	\$ 63,999.25	\$ 53,767.78	\$ 35,082.45
Special Milk Program					7,667.50
Miscellaneous	930.00	1,358.00			
Fees for Enrollment	106,118.00	117,525.52	103,120.57	112,141.96	112,841.12
Total Operating Revenues	180,965.60	185,833.59	167,119.82	165,909.74	155,591.07
OPERATING EXPENSES:					
Salaries	30,560.00	32,910.00	32,980.08	32,560.00	32,864.00
Employee Benefits	1,669.86	2,169.28	2,175.24	2,139.41	2,378.73
Other Professional Services	33,162.50	32,701.50	31,128.00	34,629.50	37,271.50
Repairs and Maintenance	8,571.62				
Supplies and Materials	7,514.15	4,375.40	3,204.60	2,222.88	1,731.70
Postage	13,303.17	17,583.97	16,573.80	16,280.74	14,550.36
Printing Services	14,090.00	14,290.00	13,730.00	14,470.00	14,520.00
Miscellaneous	6,300.11	1,121.79	2,935.92	3,285.33	2,134.26
Cost of Sales - Non-Reimbursable Programs	103,174.50	92,435.94	92,060.10	82,823.44	65,091.85
Total Operating Expenses	218,345.91	197,587.88	194,787.74	188,411.30	170,542.40
Income (Loss) Before Contributions and Transfers	(37,380.31)	(11,754.29)	(27,667.92)	(22,501.56)	(14,951.33)
Operating Transfers In - General Fund	15,000.00	25,000.00			
Board Contribution			60,154.68	31,135.72	13,260.00
Change in Net Position	(22,380.31)	13,245.71	32,486.76	8,634.16	(1,691.33)
Net Position -- July 1	120,934.37	107,688.66	75,201.90	66,567.74	68,259.07
Net Position -- June 30	\$ 98,554.06	\$ 120,934.37	\$ 107,688.66	\$ 75,201.90	\$ 66,567.74

(1) Source: School District CAFRs

**BOROUGH OF RUTHERFORD SCHOOL DISTRICT
SCHEDULE OF DEBT SERVICE
(BONDED DEBT ONLY)**

Fiscal Year	Existing Debt (1)			2019 School Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 945,000	\$ 385,100	\$ 1,330,100			
2021	995,000	347,300	1,342,300			
2022	1,030,000	307,500	1,337,500	\$ 1,100,000		
2023	1,075,000	266,300	1,341,300	1,100,000		
2024	1,080,000	223,300	1,303,300	1,100,000		
2025	1,065,000	180,100	1,245,100	1,150,000		
2026	1,065,000	137,500	1,202,500	1,150,000		
2027	1,060,000	94,900	1,154,900	1,165,000		
2028	1,050,000	52,500	1,102,500	1,165,000		
2029				2,200,000		
2030				2,200,000		
2031				2,200,000		
2032				2,200,000		
2033				2,200,000		
2034				2,200,000		
2035				2,200,000		
2036				2,200,000		
2037				2,200,000		
2038				2,200,000		
2039				2,200,000		
2040				2,200,000		
2041				2,200,000		
2042				2,200,000		
2043				2,200,000		
2044				2,200,000		
2045				2,200,000		
	<u>\$ 9,365,000</u>	<u>\$ 1,994,500</u>	<u>\$ 11,359,500</u>	<u>\$ 45,330,000</u>	<u>\$ -</u>	<u>\$ -</u>

(1) As of June 30, 2019.

GENERAL INFORMATION ON THE BOROUGH

History, Location and Area

Rutherford was formed as a Borough by an act of the New Jersey Legislature on September 21, 1881, from portions of Union Township. The Borough was named for John Rutherford, a U.S. Senator who owned land in the area.

The Borough is a 2.6 square mile community located in the County of Bergen. It is centrally located eight (8) miles west of New York City, twelve miles (12) miles from Newark International Airport, two (2) miles from the New Jersey Turnpike and four (4) miles from the Garden State Parkway.

The Borough is bounded by the Passaic River bordering Clifton and Passaic to the west, the Erie Railroad bordering East Rutherford to the north and east, the Hackensack River bordering Secaucus to the southeast, and Berrys Creek, Wall Street West and Rutherford Avenue bordering Lyndhurst to the south and southwest.

Form of Government

The Borough is governed by a Mayor and Borough Council composed of six members, all of whom are elected at large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council consists of six members elected to serve three-year terms on a staggered basis with two seats coming up for election each year in a three-year cycle. A full-time, appointed Administrator manages the operations of the Borough.

The Borough operates with numerous committees to assist the government in carrying out its responsibilities. In addition to statutory bodies such as the planning board and zoning board of adjustment, dozens of volunteers staff other committees appointed annually, providing recommendations to the council.

Health Care Facilities

A volunteer Ambulance Corps. with three vehicles, operates ambulances twenty four hours per day.

Emergency and acute medical care facilities are available at 8 different hospitals in the area including St. Marys in Passaic and the Hackensack University Medical Center in Hackensack.

Police Department

The Police Department consists of 40 sworn uniformed members. The Department's ranking structure consists of 1 Police Chief, 1 Captain, 4 Lieutenants and 7 Sergeants. Complementing the regulator force is a contingent of part-time uniformed/unarmed Special Law Enforcement Officers (SLEO). The Department currently has 3 part-time unarmed SLEOs in addition to 21 permanent and 4 alternate School Crossing Guards.

Fire Department

The Fire Department is composed of 5 companies with approximately 65 volunteer firemen. Fire apparatus consists of one ladder truck, three pumpers, one rescue truck and one utility truck. A mutual aid agreement is in effect with all surrounding municipalities.

Public Works Department

The Department of Public Works (the "DPW ") has 40 employees. The DPW is responsible for maintenance of roads, shade trees and municipal facilities. In addition, the DPW performs sanitation and recycling collections.

Free Public Library

The Rutherford Free Public Library is a modern, spacious 35,000 square foot facility which offers full library service to all segments of the community.

Utilities

Gas and electric are supplied by Public Service Electric & Gas. Water is provided by SUEZ North America. Wastewater treatment is provided by the Passaic Valley Sewerage Commission Authority and the Bergen County Utilities Authority. The annual charges for wastewater treatment and collection of solid waste are included in the tax rate.

Parks and Recreation

The Borough has a Recreation Department with a full-time director, that offers a full recreation program for all age levels. The Recreation Department operates three recreational fields and a recreation building for indoor activities.

In addition, the high school has a swimming pool which is open to all residents of the Borough.

Rutherford Memorial Park is located in the northwest corner of town along the Passaic River. Its 30 acres include eight baseball/softball diamonds (4 lighted), Tryon Field – a lighted state of the art football stadium, six tennis courts, and four shuffleboard courts, and three playgrounds. Other active recreation parks include Tamblyn Field, near Route 3 which is the home of St. Mary's High School Football and baseball games, Tim Finnerty Memorial basketball courts, one playground and two baseball diamonds. . Walls Field has a basketball court, 2 baseball/softball diamonds and one playground in the southeast end of town.

The Borough also has several smaller passive parks, including the Library Garden and Lincoln Park. Lincoln Park is located across from Borough Hall, which was renovated in 2004. It includes a band shell and several monuments, including a cannon dating to the Spanish–American War, and is home to the Borough's 9/11 memorial, containing a piece of steel debris recovered from the site of the attacks. Sunset Park is located just north of the intersection of Union and Jackson Avenues and is on the western-facing side of a rather steep hill. A plan to redesign the park is currently being developed. Firefighters' Memorial Park is a pocket park located at the intersection of Park and Mortimer Avenues.

Lincoln Park has been host to numerous town events, concerts, and memorials for decades; including the weekly summer concert series, National Night Out and Labor Day Street

Festival sponsored by the Borough. In the fall, it has hosted the Rutherford Multi - Cultural Festival, which is funded and run by the Civil Rights Commission.

The Nereid Boat Club occupies a former boat sales building on the Passaic, at the foot of West Newell Avenue. The rowing club, established in Nutley in 1875, relocated to Rutherford in 1996.

Transportation

NJ Transit offers service to and from New York City's Port Authority Bus Terminal in Midtown Manhattan on several routes. The 163 offers rush hour service only, as Rutherford is not typically along its route. The 190 offers local service along Union Avenue and Orient Way. The 191, 192 and 195 routes all serve the portion of Rutherford that is adjacent to NJ-3, as well as the portion of NJ-17 that goes through Rutherford. The 76 bus provides service between Hackensack and Newark.

Rutherford's train station, which was built by the Erie Railroad in 1898, serves passengers on NJ Transit's Bergen County Line. Service is available to Suffern and various stations along Metro-North Railroad's Port Jervis Line, as well as all other Bergen County Line stations as Rutherford is the last stop before Secaucus Junction. Service is also provided to Hoboken Terminal with connections to Hudson-Bergen Light Rail, PATH, and NY Waterway service, and customers can connect at Secaucus for trains to New York Penn Station, Newark Liberty International Airport, and points west and south along the Morris & Essex Lines, North Jersey Coast Line, Northeast Corridor Line, and Montclair-Boonton Line. Access to the Raritan Valley Line is available at either Hoboken or at Newark Penn Station via Secaucus.

Borough Population(1)

2010 Federal Census	18,061
2000 Federal Census	18,110
1990 Federal Census	17,790
1980 Federal Census	19,068
1970 Federal Census	20,802

Selected Census 2017 Data for the Borough (1)

Median household income	\$93,787
Median family income	\$115,370
Per capita income	\$45,956

Borough Labor Force (2)

The following table discloses annual average labor force data for the Borough.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Borough					
Labor Force	9,891	9,974	10,044	10,085	9,986
Employed	9,584	9,608	9,665	9,659	9,481
Unemployed	307	366	379	426	505
Unemployment Rate	3.1%	3.7%	3.8%	4.2%	5.1%

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

(2) Source: New Jersey Department of Labor

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County					
Labor Force	472,001	475,448	478,787	479,276	477,459
Employment	455,773	456,948	458,743	456,727	451,477
Unemployment	16,228	18,500	20,044	22,549	25,982
Unemployment Rate	3.4%	3.9%	4.2%	4.7%	5.4%
State					
Labor Force	4,422,900	4,453,500	4,474,700	4,489,000	4,487,000
Employment	4,239,600	4,247,500	4,252,100	4,229,200	4,183,500
Unemployment	183,400	206,000	222,600	259,800	303,500
Unemployment Rate	4.1%	4.6%	5.0%	5.8%	6.8%

Building Permits Issued(1)

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Value of Construction</u>
2019(2)	932	\$21,802,725
2018	1,125	53,175,185
2017	1,445	20,454,191
2016	1,252	16,811,818
2015	1,261	26,622,963
2014	1,301	28,262,685

CERTAIN TAX INFORMATION TEN LARGEST REAL PROPERTY TAXPAYERS (3)

<u>Name of Taxpayer</u>	<u>2019 Assessed Valuation</u>
Meadows Landmark, LLC	\$ 83,500,000
Citigroup Technology Inc.	39,200,000
Hastings Village Inc.	30,376,200
Friedrich & Weill Trustees	27,000,000
RB-C Meadowlands Concord	18,464,600
Volvo Car USA LLC	11,775,400
359 Veterans Boulevard, LLC	11,600,000
Verizon (Duff Phelps)	10,663,071
Linque-HC Partners LLC	8,998,800
Unionford LLC	8,450,000

- (1) Source: Borough Construction Official
(2) As of October 15, 2019
(3) Source: Borough Tax Assessor

CURRENT TAX COLLECTIONS (1)

<u>Year</u>	<u>Total Levy</u>	<u>Outstanding Dec. 31</u>		<u>Collected in Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2018	\$ 73,416,608	\$ 510,751	0.70%	\$ 72,807,820	99.17%
2017	72,315,610	439,485	0.61%	71,782,677	99.26%
2016	70,932,614	836,070	1.18%	69,874,069	98.50%
2015	69,301,367	567,084	0.82%	68,407,933	98.71%
2014	67,469,974	656,004	0.97%	66,380,379	98.38%

DELINQUENT TAXES(1)

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred</u>	<u>Other</u>	<u>Outstanding</u>
	<u>Jan. 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>	<u>to Liens</u>	<u>Credits</u>	<u>Dec. 31</u>
2018	\$ 439,485	\$ -	\$ 439,485	100.00%	\$ -	\$ -	\$ -
2017	836,070	-	836,070	100.00%	-	-	-
2016	567,084	-	567,084	100.00%	-	-	-
2015	666,981	-	666,981	100.00%	-	-	-
2014	625,221	-	614,244	98.24%	-	-	10,977

TAX TITLE LIENS(1)

<u>Year</u>	<u>Balance</u>	<u>Added by</u>		<u>Cancelled</u>	<u>Balance</u>
	<u>Jan. 1</u>	<u>Sales and Transfers</u>	<u>Collected</u>		<u>Dec. 31</u>
2018	\$ 57,018	\$ 1,686	\$ -	\$ -	\$ 58,704
2017	55,357	1,662	-	-	57,018
2016	53,732	1,625	-	-	55,357
2015	149,352	2,639	-	98,259	53,732
2014	141,359	7,993	-	-	149,352

FORCLOSED PROPERTY (1)(2)

<u>Year</u>	<u>Balance</u>
	<u>Dec. 31</u>
2018	\$ 7,025
2017	7,025
2016	7,025
2015	7,025
2014	7,025

(1) Source: Annual Reports of Audit

(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.

**NET ASSESSED VALUATIONS AND
ANNUAL TAX RATES (1)**

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Tax Rate (2)</u>					
		<u>Total Rate</u>	<u>County</u>			<u>Municipal</u>	<u>Municipal Library</u>
			<u>County</u>	<u>Open Space</u>	<u>Local School</u>		
2019	\$ 2,716,191,971	\$ 2.739	\$ 0.256	\$ 0.011	\$ 1.592	\$ 0.844	\$ 0.036
2018	2,713,039,226	2.701	0.258	0.010	1.551	0.845	0.037
2017	2,712,423,790	2.663	0.255	0.010	1.516	0.847	0.035
2016	2,720,012,392	2.604	0.247	0.003	1.475	0.845	0.034
2015	2,726,370,461	2.533	0.225	0.003	1.428	0.846	0.031

**RATIO OF ASSESSED VALUATION TO TRUE VALUE
AND TRUE VALUE PER CAPITA**

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita(3)</u>
2019	\$ 2,705,528,900	91.54%	\$ 2,955,570,133	\$ 163,644
2018	2,702,593,500	90.76%	2,977,736,338	164,871
2017	2,701,596,000	94.35%	2,863,376,789	158,539
2016	2,708,564,200	98.26%	2,756,527,783	152,623
2015	2,715,531,700	98.26%	2,763,618,665	153,016

REAL PROPERTY CLASSIFICATION(4)

<u>Year</u>	<u>Assessed Value of Land and</u>					
	<u>Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>
2019	\$ 2,705,528,900	\$ 21,542,900	\$ 2,161,542,700	\$ 325,576,500	\$ 86,409,000	\$ 110,457,800
2018	2,702,593,500	21,521,100	2,157,806,300	326,310,000	86,409,000	110,547,100
2017	2,701,596,000	20,459,000	2,156,867,600	327,313,300	86,409,000	110,547,100
2016	2,708,564,200	21,133,300	2,160,845,000	329,136,500	86,559,000	110,890,400
2015	2,715,531,700	22,367,100	2,169,598,500	325,036,800	87,212,400	111,316,900

- (1) Source: Annual Reports of Audit
(2) Source: Borough's Tax Collector
(3) Based upon the 2010 Federal Census of 18,061
(4) Source: Borough's Tax Assessor

**BOROUGH OF RUTHERFORD
STATEMENT OF INDEBTEDNESS(1)**

The following table summarizes the direct debt of the Borough of Rutherford as of December 31, 2018 in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General Debt and Debt of the Local School District. Deductions from gross debt to arrive at net debt include local school district debt. The resulting net debt of \$27,597,986 represents 0.94% of the average of equalized valuations for the Borough for the last three years, of \$2,933,254,334 which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued		Debt Auth. But Not Issued	Gross Debt	Deductions	Net Debt
	<u>Bonds/Notes</u>	<u>Loans</u>			<u>School District</u>	
General	\$ 12,490,000	\$ 610,062	\$ 14,497,924	\$ 27,597,986		\$ 27,597,986
Local School District	10,275,000			10,275,000	\$ 10,275,000	
	<u>\$ 22,765,000</u>	<u>\$ 610,062</u>	<u>\$ 14,497,924</u>	<u>\$ 37,872,986</u>	<u>\$ 10,275,000</u>	<u>\$ 27,597,986</u>

(1) Source: Annual Debt Statement

DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018	\$	2,933,254,334
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2016, 2017 and 2018		0.94%
2019 Net Valuation Taxable	\$	2,716,191,971
2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$	2,966,233,204
Gross Debt (2)		
As a Percentage of 2019 Net Valuation Taxable		1.39%
As a Percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications		1.28%
Net Debt (2)		
As a Percentage of 2019 Net Valuation Taxable		1.02%
As a Percentage of 2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications		0.93%
Gross Debt per Capita(3)	\$	2,097
Net Debt per Capita(3)	\$	1,528

BOROUGH BORROWING CAPACITY(1)

3.5% of Average (2016-18) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$2,933,254,334)	\$	102,663,902
Net Debt		<u>(27,597,986)</u>
Remaining Borrowing Capacity	\$	<u><u>75,065,916</u></u>

LOCAL SCHOOL BORROWING CAPACITY(1)

4% of Average (2016-18) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$2,933,254,334)	\$	117,330,173
Net Debt		<u>(10,275,000)</u>
Remaining Borrowing Capacity	\$	<u><u>107,055,173</u></u>

- (1) As of December 31, 2018
(2) Excluding overlapping debt
(3) Based on Census 2010 of 18,061

**BOROUGH OF RUTHERFORD
OVERLAPPING DEBT AS OF DECEMBER 31, 2018**

	DEBT ISSUED				County Debt Auth. but not <u>Issued</u>
	<u>Debt Outstanding</u>	<u>Deductions</u>	Statutory Net Debt <u>Outstanding</u>	Net Debt Outstanding Allocated <u>to the Issuer</u>	
County of Bergen(1):					
General:					
Bonds	\$ 438,901,823	\$ 29,460,091 (2)	\$ 409,441,732	\$ 6,960,509 (4)	\$221,331,468
Notes	225,473,382		225,473,382	3,833,047 (4)	
Bonds Issued by Other Public Bodies					
Guaranteed by the County	506,380,000	506,380,000 (3)			
	<u>\$1,170,755,205</u>	<u>\$ 535,840,091</u>	<u>\$ 634,915,114</u>	<u>\$ 10,793,557</u>	<u>\$221,331,468</u>

- (1) Source: County of Bergen
(2) Includes County College 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 2018 Net Valuation on which County taxes are apportioned, which is 1.70%.

APPENDIX B

**Financial Statements of The Board of Education of the
Borough of Rutherford
in the County of Bergen, New Jersey**

FISCAL YEAR 2018
BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Rutherford School District
Rutherford, New Jersey 07070

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 Borough of Rutherford School District, in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2018, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Rutherford School District, in the County of Bergen, State of New Jersey, as of June 30, 2018, 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.

Emphasis of Matter

Adoption of New Accounting Principles

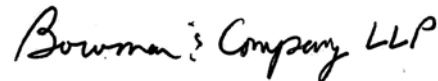
As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle required the School District to recognize a revenue and expense on the government-wide statement of activities for the State's proportionate share of the postemployment expense associated with the School District. The related disclosures for the implementation of this new accounting pronouncement are included in note 10 in the notes to financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Rutherford School District's basic financial statements. The School District's Comprehensive Annual Report for the fiscal year ended June 30, 2018 includes certain required supplementary information, including the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of School District's pension contributions, and schedule of changes in the School District's total OPEB liability and related ratios, and other information that is not included with this presentation of the basic financial statements.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Certified Public Accountant
Public School Accountant No. CS 01113

Voorhees, New Jersey
February 4, 2019

RUTHERFORD SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 842,221.35	\$ 120,318.06	\$ 962,539.41
Receivables, net	1,811,849.70		1,811,849.70
Restricted Assets:			
Capital Reserve - Cash	1,066,093.42		1,066,093.42
Capital Projects - Cash	212,214.28		212,214.28
Capital Assets, net (Note 6)	<u>34,827,411.35</u>		<u>34,827,411.35</u>
Total Assets	<u>38,759,790.10</u>	<u>120,318.06</u>	<u>38,880,108.16</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	2,865,618.00		2,865,618.00
Deferred Loss on Refunding	<u>120,028.98</u>		<u>120,028.98</u>
Total Deferred Outflows	<u>2,985,646.98</u>	<u>-</u>	<u>2,985,646.98</u>
LIABILITIES:			
Accounts Payable:			
Related to Pensions	387,927.00		387,927.00
Other	270,154.05	2,895.00	273,049.05
Payable to State Government	46,377.67		46,377.67
Internal Balances	(4,250.00)	4,250.00	
Accrued Interest Payable	198,914.58		198,914.58
Unearned Revenue	122,435.97	14,619.00	137,054.97
Noncurrent Liabilities (Note 7):			
Due within One Year	1,315,762.58		1,315,762.58
Due beyond One Year	<u>21,347,472.95</u>		<u>21,347,472.95</u>
Total Liabilities	<u>23,684,794.80</u>	<u>21,764.00</u>	<u>23,706,558.80</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	<u>2,496,517.00</u>	<u>-</u>	<u>2,496,517.00</u>
NET POSITION:			
Net Investment in Capital Assets	22,740,283.11		22,740,283.11
Restricted for:			
Capital Projects	1,270,726.08		1,270,726.08
Other Purposes	780,862.05		780,862.05
Unrestricted (Deficit)	<u>(9,227,745.96)</u>	<u>98,554.06</u>	<u>(9,129,191.90)</u>
Total Net Position	<u>\$ 15,564,125.28</u>	<u>\$ 98,554.06</u>	<u>\$ 15,662,679.34</u>

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

RUTHERFORD SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 15,288,081.29	\$ 196,287.89	\$ 700,036.49		\$ (14,391,756.91)		\$ (14,391,756.91)
Special Education	1,958,703.64			\$ 3,290.00	(1,955,413.64)		(1,955,413.64)
Other Special Instruction	1,871,341.45				(1,871,341.45)		(1,871,341.45)
Support Services:							
Tuition	4,385,168.35				(4,385,168.35)		(4,385,168.35)
Student and Instruction Related Services	744,289.19		163,270.52		(581,018.67)		(581,018.67)
Other Support Services - Student Related	3,178,458.15				(3,178,458.15)		(3,178,458.15)
Improvement of Instruction	655,390.55				(655,390.55)		(655,390.55)
School Administrative Services	2,616,395.75				(2,616,395.75)		(2,616,395.75)
Other Administrative Services	582,829.09				(582,829.09)		(582,829.09)
Administrative Information Technology	304,871.33				(304,871.33)		(304,871.33)
Plant Operations and Maintenance	3,734,370.57				(3,734,370.57)		(3,734,370.57)
Care and Upkeep of Grounds	41,100.00				(41,100.00)		(41,100.00)
Pupil Transportation	1,485,769.70				(1,485,769.70)		(1,485,769.70)
Business and Other Support	722,329.35				(722,329.35)		(722,329.35)
Unallocated Benefits	21,437,669.62		14,881,459.82		(6,556,209.80)		(6,556,209.80)
Transfer to Charter School	10,915.00				(10,915.00)		(10,915.00)
Interest on Long-Term Debt	443,613.45				(443,613.45)		(443,613.45)
Unallocated Depreciation	1,285,111.65				(1,285,111.65)		(1,285,111.65)
Total Governmental Activities	60,746,408.13	196,287.89	15,744,766.83	3,290.00	(44,802,063.41)	-	(44,802,063.41)
Business-Type Activities:							
Food Service	104,634.88	73,917.60				\$ (30,717.28)	(30,717.28)
Community Education	92,546.73	91,905.00				(641.73)	(641.73)
Summer Music	21,164.30	15,143.00				(6,021.30)	(6,021.30)
Total Business-Type Activities	218,345.91	180,965.60	-	-	-	(37,380.31)	(37,380.31)
Total Government	\$ 60,964,754.04	\$ 377,253.49	\$ 15,744,766.83	\$ 3,290.00	(44,802,063.41)	(37,380.31)	(44,839,443.72)
General Revenues and Transfers:							
Taxes:							
Property Taxes, Levied for General Purposes, net					40,196,620.00		40,196,620.00
Taxes Levied for Debt Service					1,335,013.00		1,335,013.00
Federal and State Aid not Restricted					3,172,089.80		3,172,089.80
Federal and State Aid Restricted					25,693.95		25,693.95
Transfers					(15,000.00)	15,000.00	
Miscellaneous Income					106,141.29		106,141.29
Total General Revenues and Transfers					44,820,558.04	15,000.00	44,835,558.04
Change in Net Position					18,494.63	(22,380.31)	(3,885.68)
Net Position -- July 1					15,545,630.65	120,934.37	15,666,565.02
Net Position -- June 30					\$ 15,564,125.28	\$ 98,554.06	\$ 15,662,679.34

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

RUTHERFORD SCHOOL DISTRICT
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 1,908,314.77		\$ 212,214.28	\$ 2,120,529.05
Receivables from Other Governments	660,121.00	\$ 171,670.71	977,320.69	1,809,112.40
Other Accounts Receivable	2,737.30			2,737.30
Interfund Receivables	1,045,012.03			1,045,012.03
Total Assets	\$ 3,616,185.10	\$ 171,670.71	\$ 1,189,534.97	\$ 4,977,390.78
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 258,756.70	\$ 3,815.73	\$ 7,581.62	\$ 270,154.05
Interfunds Payable		63,441.34	977,320.69	1,040,762.03
Payable to State Government		46,377.67		46,377.67
Unearned Revenue	64,400.00	58,035.97		122,435.97
Total Liabilities	323,156.70	171,670.71	984,902.31	1,479,729.72
Fund Balances:				
Restricted:				
Capital Reserve Account	1,066,093.42			1,066,093.42
Capital Projects			204,632.66	204,632.66
Excess Surplus - Current Year	375,936.75			375,936.75
Excess Surplus - Designated for Subsequent Year's Expenditures	404,925.30			404,925.30
Assigned:				
Designated for Subsequent Years' Expenditures	100,000.00			100,000.00
Other Purposes	215,056.27			215,056.27
Unassigned	1,131,016.66			1,131,016.66
Total Fund Balances	3,293,028.40	-	204,632.66	3,497,661.06
Total Liabilities and Fund Balances	\$ 3,616,185.10	\$ 171,670.71	\$ 1,189,534.97	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$76,966,474.39 and the accumulated depreciation is \$42,139,063.04	34,827,411.35
Interest on long-term debt in the statement of activities is accrued, regardless of when due.	(198,914.58)
Deferred loss on refundings are not financial resources and therefore are not reported in the funds.	120,028.98
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(13,146,083.53)
Net Pension Liability	(9,517,152.00)
Accounts Payable related to the April 1, 2019 Required PERS pension contribution that is not to be liquidated with current financial resources.	(387,927.00)
Deferred Outflows of Resources - Related to Pensions	2,865,618.00
Deferred Inflows of Resources - Related to Pensions	(2,496,517.00)
Net Position of Governmental Activities	\$ 15,564,125.28

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

RUTHERFORD SCHOOL DISTRICT
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Tax Levy	\$ 40,196,620.00			\$ 1,335,013.00	\$ 41,531,633.00
Tuition Charges	196,287.89				196,287.89
Miscellaneous	106,141.29				106,141.29
Local Sources		\$ 32,380.00			32,380.00
State Sources	9,194,598.22	164,734.08			9,359,332.30
Federal Sources	26,408.40	691,886.88			718,295.28
Total Revenues	49,720,055.80	889,000.96	-	1,335,013.00	51,944,069.76
EXPENDITURES:					
Current:					
Regular Instruction	15,425,204.04				15,425,204.04
Special Education Instruction	1,253,056.92	700,036.49			1,953,093.41
Other Special Instruction	1,871,341.45				1,871,341.45
Support Services and Undistributed Costs:					
Tuition	4,385,168.35				4,385,168.35
Student and Instruction Related Services	581,018.67	163,270.52			744,289.19
Other Support Services - Student Related	3,178,458.15				3,178,458.15
Improvement of Instruction	655,390.55				655,390.55
School Administrative Services	2,616,395.75				2,616,395.75
Other Administrative Services	577,829.37				577,829.37
Administrative Information Technology	303,329.31				303,329.31
Plant Operations and Maintenance	3,645,586.84				3,645,586.84
Care and Upkeep of Grounds	41,100.00				41,100.00
Pupil Transportation	1,479,331.01				1,479,331.01
Business and Other Support	722,329.35				722,329.35
Unallocated Benefits	6,340,234.00				6,340,234.00
On-Behalf Contributions	6,048,916.82				6,048,916.82
Transfer of Funds to Charter Schools	10,915.00				10,915.00
Debt Service:					
Principal				840,000.00	840,000.00
Interest and Other Charges	75,126.00			495,553.00	570,679.00
Capital Outlay	945,742.43	25,693.95	\$ 333,819.16		1,305,255.54
Total Expenditures	50,156,474.01	889,000.96	333,819.16	1,335,553.00	52,714,847.13
Excess (Deficiency) of Revenues over Expenditures	(436,418.21)	-	(333,819.16)	(540.00)	(770,777.37)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	94,610.62		538,451.82		633,062.44
Operating Transfers Out	(553,451.82)		(94,610.62)		(648,062.44)
Assets Acquired under Capital Lease	495,625.93				495,625.93
Total Other Financing Sources and Uses	36,784.73	-	443,841.20	-	480,625.93
Net Change in Fund Balances	(399,633.48)		110,022.04	(540.00)	(290,151.44)
Fund Balance -- July 1	3,692,661.88		94,610.62	540.00	3,787,812.50
Fund Balance -- June 30	<u>\$ 3,293,028.40</u>	<u>\$ -</u>	<u>\$ 204,632.66</u>	<u>\$ -</u>	<u>\$ 3,497,661.06</u>

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

RUTHERFORD 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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (290,151.44)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
<p>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.</p>	
Depreciation Expense	\$ (1,618,748.84)
Donated Assets	3,290.00
Capital Outlays	<u>1,305,255.54</u>
	(310,203.30)
<p>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.</p>	
	840,000.00
<p>Governmental funds report the effect of premiums, discounts and similar items when long-term debt (bonds) are first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the amortized premium and the deferral of pension in the treatment of long-term debt and related items.</p>	
Pension Deferral	8,049.20
Amortization of Loss on Refunding Bonds	(11,476.88)
Amortization of Bond Premiums	86,060.21
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)</p>	
	50,982.53
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>	
	(48,879.83)
<p>Asset acquired under capital leases do not effect the Statement of Net Position, however, are reported as a financing source in the governmental funds.</p>	
	(495,625.93)
<p>Repayment of capital leases is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the Statement of Activities.</p>	
	413,765.07
<p>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 exceed the School District's pension contributions in the current period.</p>	
	<u>(224,025.00)</u>
Change in Net Postion of Governmental Activities	<u>\$ 18,494.63</u>

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

RUTHERFORD SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2018

	Business Type Activities - Enterprise Funds			<u>Total</u>
	<u>Food Service</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 11,105.19	\$ 66,804.09	\$ 42,408.78	\$ 120,318.06
Total Assets	<u>11,105.19</u>	<u>66,804.09</u>	<u>42,408.78</u>	<u>120,318.06</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	75.00	320.00		395.00
Interfunds Accounts Payable:				
Due to General Fund			4,250.00	4,250.00
Due to Fiduciary Funds			2,500.00	2,500.00
Unearned Revenue			<u>14,619.00</u>	<u>14,619.00</u>
Total Liabilities	<u>75.00</u>	<u>320.00</u>	<u>21,369.00</u>	<u>21,764.00</u>
NET POSITION:				
Unrestricted	<u>11,030.19</u>	<u>66,484.09</u>	<u>21,039.78</u>	<u>98,554.06</u>
Total Net Position	<u>\$ 11,030.19</u>	<u>\$ 66,484.09</u>	<u>\$ 21,039.78</u>	<u>\$ 98,554.06</u>

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

RUTHERFORD SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Business Type Activities - Enterprise Funds			<u>Total</u>
	<u>Food Service</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales - Non-Reimbursable Programs				
School Lunch Program	\$ 73,917.60			\$ 73,917.60
Miscellaneous			\$ 930.00	930.00
Fees for Enrollment		\$ 91,905.00	14,213.00	106,118.00
Total Operating Revenues	<u>73,917.60</u>	<u>91,905.00</u>	<u>15,143.00</u>	<u>180,965.60</u>
OPERATING EXPENSES:				
Salaries		19,560.00	11,000.00	30,560.00
Employee Benefits		1,669.86		1,669.86
Other Professional Services		33,162.50		33,162.50
Repairs and Maintenance			8,571.62	8,571.62
Supplies and Materials		5,921.47	1,592.68	7,514.15
Postage		13,303.17		13,303.17
Printing Services		14,090.00		14,090.00
Miscellaneous	1,460.38	4,839.73		6,300.11
Cost of Sales - Non-Reimbursable Programs	103,174.50			103,174.50
Total Operating Expenses	<u>104,634.88</u>	<u>92,546.73</u>	<u>21,164.30</u>	<u>218,345.91</u>
Net Income (Loss) Before Contributions and Transfers	<u>(30,717.28)</u>	<u>(641.73)</u>	<u>(6,021.30)</u>	<u>(37,380.31)</u>
Operating Transfers In - General Fund	15,000.00			15,000.00
Change in Net Position	<u>(15,717.28)</u>	<u>(641.73)</u>	<u>(6,021.30)</u>	<u>(22,380.31)</u>
Net Position -- July 1	<u>26,747.47</u>	<u>67,125.82</u>	<u>27,061.08</u>	<u>120,934.37</u>
Net Position -- June 30	<u>\$ 11,030.19</u>	<u>\$ 66,484.09</u>	<u>\$ 21,039.78</u>	<u>\$ 98,554.06</u>

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

RUTHERFORD SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Business Type Activities - Enterprise Funds			
	<u>Food Service</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 73,917.60	\$ 91,905.00	\$ 16,414.00	\$ 182,236.60
Payments to Employees		(19,560.00)	(11,000.00)	(30,560.00)
Payments for Employee Benefits		(1,669.86)		(1,669.86)
Payments to Suppliers and Other Operating Payments	<u>(111,241.33)</u>	<u>(70,996.87)</u>	<u>(10,164.30)</u>	<u>(192,402.50)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(37,323.73)</u>	<u>(321.73)</u>	<u>(4,750.30)</u>	<u>(42,395.76)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Transfers - General Fund	<u>15,000.00</u>			<u>15,000.00</u>
Net Cash Provided by Non-Capital Financing Activities	<u>15,000.00</u>	-	-	<u>15,000.00</u>
Cash and Cash Equivalents -- July 1	<u>33,428.92</u>	<u>67,125.82</u>	<u>47,159.08</u>	<u>147,713.82</u>
Cash and Cash Equivalents -- June 30	<u>\$ 11,105.19</u>	<u>\$ 66,804.09</u>	<u>\$ 42,408.78</u>	<u>\$ 120,318.06</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (30,717.28)	\$ (641.73)	\$ (6,021.30)	\$ (37,380.31)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (used for) Operating Activities:				
Increase (Decrease) in Accounts Payable	(6,606.45)	320.00	(480.00)	(6,766.45)
Increase (Decrease) in Unearned Revenue			1,751.00	1,751.00
Total Adjustments	<u>(6,606.45)</u>	<u>320.00</u>	<u>1,271.00</u>	<u>(5,015.45)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (37,323.73)</u>	<u>\$ (321.73)</u>	<u>\$ (4,750.30)</u>	<u>\$ (42,395.76)</u>

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

RUTHERFORD SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private-Purpose Trust Funds			Agency Funds	
	Unemployment Compensation <u>Trust</u>	Flexible Benefit <u>Trust</u>	Scholarship <u>Fund</u>	Student Activity	<u>Payroll</u>
ASSETS:					
Cash and Cash Equivalents	\$ 160,926.10	\$ 26,621.38	\$ 108,622.92	\$ 167,610.89	\$ 273.37
Interfund Accounts Receivable				2,500.00	
Total Assets	<u>160,926.10</u>	<u>26,621.38</u>	<u>108,622.92</u>	<u>\$ 170,110.89</u>	<u>\$ 273.37</u>
LIABILITIES:					
Accounts Payable	8,720.87			\$ 687.96	
Payable to Student Groups				169,422.93	
Payroll Deductions and Withholdings					\$ 273.37
Total Liabilities	<u>8,720.87</u>	<u>-</u>	<u>-</u>	<u>\$ 170,110.89</u>	<u>\$ 273.37</u>
NET POSITION:					
Restricted:					
Held in Trust for:					
Unemployment Compensation	152,205.23				
Payment of Claims		26,621.38			
Scholarships			108,622.92		
Total Net Position	<u>\$ 152,205.23</u>	<u>\$ 26,621.38</u>	<u>\$ 108,622.92</u>		

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

RUTHERFORD SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2018

	<u>Private-Purpose Trust Funds</u>			
	<u>Unemployment Compensation Trust</u>	<u>Flexible Benefit Trust</u>	<u>Scholarship Fund</u>	<u>Total</u>
ADDITIONS:				
Contributions			\$ 4,750.00	\$ 4,750.00
Employee Withholdings	\$ 66,860.93	\$ 52,720.68		119,581.61
Interest on Investments			870.02	870.02
Total Additions	<u>66,860.93</u>	<u>52,720.68</u>	<u>5,620.02</u>	<u>125,201.63</u>
DEDUCTIONS:				
Scholarships Awarded			9,800.00	9,800.00
Scholarship Expense			42.95	
Claims and Premiums Paid		38,182.87		38,182.87
New Jersey Catastrophic Illness	825.00			825.00
Due Agency - Employee Withholdings	28,009.34			28,009.34
Quarterly Unemployment Contributions	24,609.96			24,609.96
Total Deductions	<u>53,444.30</u>	<u>38,182.87</u>	<u>9,842.95</u>	<u>101,427.17</u>
Net Position -- July 1	<u>138,788.60</u>	<u>12,083.57</u>	<u>112,845.85</u>	<u>263,718.02</u>
Net Position -- June 30	<u>\$ 152,205.23</u>	<u>\$ 26,621.38</u>	<u>\$ 108,622.92</u>	<u>\$ 287,492.48</u>

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

RUTHERFORD SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rutherford 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 Bergen, 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 Pre-K through 12 at its five schools. The School District has an approximate enrollment at June 30, 2018 of 2,597.

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 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. 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 determined that the following organization is considered a component unit, and is not significant. Therefore, it has not been included in the basic financial statements.

Rutherford Education Foundation
P.O. Box 246
Rutherford, New Jersey 07070

Complete financial statements of the component unit can be obtained from its administrative offices.

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 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. 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 Bergen 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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.

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. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary funds:

Enterprise Funds

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

Summer Music Program Fund - This fund accounts for the financial activity related to providing summer music lessons to students.

Community Education Fund - This fund accounts for the financial activity related to providing adult school activities within the School District.

Additionally, the School District reports the following fund types:

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 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 funds:

Scholarship Fund - Revenues consist of donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

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.

Flexible Benefit Trust Account - Revenues consist of employee contributions held in trust by the School District for medical claims.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

As a general rule, the effect of internal/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.

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 exhibit C-1, exhibit C-2, and exhibit 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.

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

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.

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

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, 2018. The School District had no prepaid expenses for the fiscal year ended June 30, 2018.

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:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 20 Years
Motor Vehicles	4 - 10 Years
Buildings and Improvements	10 - 50 Years
Land Improvements	10 - 20 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Deferred Outflows and Deferred Inflows of Resources (Cont'd)**

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.

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: loss on refunding of debt, defined benefit pension plans, and postemployment benefit plans.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2018 and 2017 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.

Accrued Salaries and Wages

Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

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 vesting 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' 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position (Cont'd)**

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.

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.

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

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, 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. The adoption of this Statement required the School District to recognize a revenue and expense on the government-wide statement of activities for the State's proportionate share of the postemployment expense associated with the School District. In addition, the School District was required to include additional note disclosures (see note 10) and required supplementary information related to postemployment benefits.

Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). 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 that will become effective for the School District for fiscal years ending after June 30, 2018:

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the School District in the fiscal year ending June 30, 2020. Management is currently evaluating whether or not 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. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the School District in the fiscal year ending June 30, 2021. Management is currently evaluating whether or not this Statement will have an 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, 2018, the School District's bank balances of \$3,832,886.82 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 3,594,551.27
Uninsured and Uncollateralized	<u>238,335.55</u>
Total	<u>\$ 3,832,886.82</u>

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of \$170,000.00 on October 2, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the 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.

Note 3: CAPITAL RESERVE ACCOUNT (CONT'D)

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017		\$ 1,723,784.62
Increased by:		
Deposits:		
Local Portion of EFCFA Projects Canceled	\$ 94,610.62	
Board Resolution, June 25, 2018	<u>519,000.00</u>	
		<u>613,610.62</u>
Total Deposits:		2,337,395.24
Decreased by:		
Withdrawals:		
Transfer to Capital Outlay	732,850.00	
Transfer to Capital Projects Fund	<u>538,451.82</u>	
Total Withdrawals		<u>1,271,301.82</u>
Ending Balance, June 30, 2018		<u>\$ 1,066,093.42</u>

The June 30, 2018 LRFP balance of local support costs of uncompleted projects at June 30, 2018 is \$23,948,392.00. The withdrawals from the capital reserve were for use in a Department of Education approved facilities projects, consistent with the School District's LRFP.

Note 4: TRANSFERS FROM CAPITAL RESERVE TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2018, the School District transferred \$732,850.00 to the capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved by the voters in the budget certified for taxes pursuant to N.J.A.C. 6A:23A-8.4.

Note 5: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of accounts (fees for services) and intergovernmental awards / grants. All 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.

Note 5: ACCOUNTS RECEIVABLE (CONT'D)

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

<u>Description</u>	<u>Governmental Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Activities</u>	
Federal Awards		\$ 170,021.32		\$ 170,021.32	\$ 170,021.32
State Awards	\$ 660,121.00	1,649.39	\$ 977,320.69	1,639,091.08	1,639,091.08
Tuition Charges	2,737.30			2,737.30	2,737.30
	<u>\$ 662,858.30</u>	<u>\$ 171,670.71</u>	<u>\$ 977,320.69</u>	<u>\$ 1,811,849.70</u>	<u>\$ 1,811,849.70</u>

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Balance June 30, 2018</u>
Governmental Activities:			
Capital Assets, not being Depreciated:			
Land	\$ 7,502,700.00		\$ 7,502,700.00
Construction in Progress		\$ 333,819.16	333,819.16
Total Capital Assets, not being Depreciated	<u>7,502,700.00</u>	<u>333,819.16</u>	<u>7,836,519.16</u>
Capital Assets, being Depreciated:			
Furniture, Fixtures and Equipment	3,766,389.26	383,649.11	4,150,038.37
Motor Vehicles	638,192.67		638,192.67
Buildings and Improvements	62,825,359.42	591,077.27	63,416,436.69
Land Improvements	925,287.50		925,287.50
Total Capital Assets, being Depreciated	<u>68,155,228.85</u>	<u>974,726.38</u>	<u>69,129,955.23</u>
Total Capital Assets, Cost	<u>75,657,928.85</u>	<u>1,308,545.54</u>	<u>76,966,474.39</u>
Less Accumulated Depreciation for:			
Furniture, Fixtures and Equipment	(2,388,916.91)	(310,469.07)	(2,699,385.98)
Motor Vehicles	(342,055.61)	(49,071.86)	(391,127.47)
Buildings and Improvements	(36,986,244.57)	(1,241,898.21)	(38,228,142.78)
Land Improvements	(803,097.11)	(17,309.70)	(820,406.81)
Total Accumulated Depreciation	<u>(40,520,314.20)</u>	<u>(1,618,748.84)</u>	<u>(42,139,063.04)</u>
Total Capital Assets, being Depreciated, Net	<u>27,634,914.65</u>	<u>(644,022.46)</u>	<u>26,990,892.19</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,137,614.65</u>	<u>\$ (310,203.30)</u>	<u>\$ 34,827,411.35</u>

Note 6: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:

Regular Instruction	\$ 173,587.48
Other Administrative Services	22,194.12
Plant Operations and Maintenance	88,783.73
Pupil Transportation	49,071.86
Unallocated	<u>1,285,111.65</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 1,618,748.84</u>
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Note 7: LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 11,115,000.00		\$ (840,000.00)	\$ 10,275,000.00	\$ 910,000.00
Plus Amounts:					
Issuance Premiums	986,106.55		(86,060.21)	900,046.34	
Total Bonds Payable	<u>12,101,106.55</u>	<u>-</u>	<u>(926,060.21)</u>	<u>11,175,046.34</u>	<u>910,000.00</u>
Other Liabilities:					
Obligations under Capital Lease	751,335.44	\$ 495,625.93	(413,765.07)	833,196.30	381,156.81
Compensated Absences	1,024,567.46	63,412.58	(14,532.75)	1,073,447.29	16,556.57
Pension (PERS) Payment Deferral	72,442.80		(8,049.20)	64,393.60	8,049.20
Net Pension Liability (note 9)	12,087,044.00	3,848,222.00	(6,418,114.00)	9,517,152.00	
Total Other Liabilities	<u>13,935,389.70</u>	<u>4,407,260.51</u>	<u>(6,854,461.02)</u>	<u>11,488,189.19</u>	<u>405,762.58</u>
Governmental Activities Long-Term Liabilities	<u>\$ 26,036,496.25</u>	<u>\$ 4,407,260.51</u>	<u>\$ (7,780,521.23)</u>	<u>\$ 22,663,235.53</u>	<u>\$ 1,315,762.58</u>

The bonds payable are generally liquidated by the debt service fund, while the obligations under capital lease, compensated absences, pension deferral, and net pension liability are liquidated by the general fund.

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 December 13, 2016, the School District issued \$11,115,000.00 of refunding bonds at interest rates varying from 4.00% to 5.00% to refund the callable bonds of the 2006 and 2007 issues. The final maturity of these bonds is January 15, 2028. The bonds will be paid from property taxes.

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

Bonds Payable (Cont'd) - Principal and interest due on bonds outstanding is as follows:

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 910,000.00	\$ 421,500.00	\$ 1,331,500.00
2020	945,000.00	385,100.00	1,330,100.00
2021	995,000.00	347,300.00	1,342,300.00
2022	1,030,000.00	307,500.00	1,337,500.00
2023	1,075,000.00	266,300.00	1,341,300.00
2024-2028	5,320,000.00	688,300.00	6,008,300.00
Total	<u>\$ 10,275,000.00</u>	<u>\$ 2,416,000.00</u>	<u>\$ 12,691,000.00</u>

Bonds Authorized but not Issued - As of June 30, 2018, the School District had no authorizations to issue additional bonded debt.

Obligations under Capital Lease - The School District is leasing copiers, computer equipment, network equipment, and vehicles with a total original cost of \$1,719,113.73 under capital leases. All capital leases are for terms of four to five years. Capital leases are depreciated in a manner consistent with the School District's depreciation policy for owned assets.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2018.

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 381,156.81	\$ 12,315.55	\$ 393,472.36
2020	293,478.76	7,552.57	301,031.33
2021	118,364.11	3,342.31	121,706.42
2022	29,960.08	987.92	30,948.00
2023	10,236.54	79.46	10,316.00
Total	<u>\$ 833,196.30</u>	<u>\$ 24,277.81</u>	<u>\$ 857,474.11</u>

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.

Public Employees' Retirement System (PERS) Payment Deferral - On March 17, 2009, P.L. 2009, c.19 (S-21) was signed into legislation and provided regular and vocational school districts the option of deferring fifty percent (50%) of the school district's 2008-09 regular PERS pension liability. School districts that elected to defer the pension liability were required to begin repaying the deferred amount over fifteen (15) years, starting in April of 2012. The amount to be paid will fluctuate based on the pension system investment earnings on the unfunded liability. At any time, however, upon requesting a payoff amount from the Division of Pensions and Benefits, a school district may pay off the deferred amount. The deferral of the aforementioned PERS payment was only an option for 2008-09 fiscal year. Commencing in fiscal year June 30, 2010, and beyond, the full annual PERS pension liability is required to be budgeted and paid.

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

Public Employees' Retirement System (PERS) Payment Deferral (Cont'd) - On April 13, 2009, the School District adopted a resolution electing to defer fifty percent (50%) of the April 2009 payment, equaling a total deferral of \$120,738.00. The following is a schedule for the payment of the PERS deferral, based on an interest rate of 8.25%. N.J.S.A 43:15A-24b requires the use of "regular interest" when the actuary calculates the amortization of the unfunded accrued liability of the pension system, which is set by the State Treasurer (N.J.S.A. 43:15A-6n) and currently is 8.25%.

Principal and interest due on the outstanding pension deferral is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Deferral</u> <u>Payment</u>	<u>Interest</u>	<u>Total</u> <u>Projected</u> <u>Payment</u>
2019	\$ 8,049.20	\$ 5,312.47	\$ 13,361.67
2020	8,049.20	4,648.41	12,697.61
2021	8,049.20	3,984.35	12,033.55
2022	8,049.20	3,320.30	11,369.50
2023	8,049.20	2,656.24	10,705.44
2024-2027	<u>24,147.60</u>	<u>3,984.36</u>	<u>28,131.96</u>
Total	<u>\$ 64,393.60</u>	<u>\$ 23,906.13</u>	<u>\$ 88,299.73</u>

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, 2018, 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:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ 46,056.84
2020	25,566.84
2021	24,438.57
2022	<u>4,056.00</u>
	<u>\$ 100,118.25</u>

Rental payments under operating leases for the fiscal year ended June 30, 2018 were \$63,519.84.

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, required supplementary information and detailed information about the PERS and TPAF plan's fiduciary net position which can be obtained by writing to or at the following website:

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

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 New Jersey 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 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 years or more 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. 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 with 25 years or more service credit before age 62 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 7.34% in State fiscal year 2018. 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 normal cost and unfunded accrued liability. For fiscal year 2017, the State's pension contribution was less than 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, 2018 was 10.36% 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, 2018 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, 2017, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2018 was \$2,026,595.00, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$1,441,640.88.

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 7.34% in State fiscal year 2018. 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) was 10%. Employer 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, 2018 was 13.73% 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, 2017, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$378,747.00, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$208,872.65.

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, 2018, employee contributions totaled \$67,755.05, and the School District recognized pension expense, which equaled the required contributions, of \$48,620.90. 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, 2018, 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	121,683,972.00
	<u>\$ 121,683,972.00</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. For the June 30, 2017 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, 2017, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2017 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.1804768091%, which was a decrease of 0.0008573050% from its proportion measured as of June 30, 2016.

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, 2018, the School District recognized \$8,429,649.00 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, 2017 measurement date.

Public Employees' Retirement System - At June 30, 2018, the School District reported a liability of \$9,517,152.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. 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, 2017 measurement date, the School District's proportion was 0.0408840436%, which was an increase of 0.0000730543% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized pension expense of \$602,768.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 224,096.00	\$ -
Changes of Assumptions	1,917,378.00	1,910,349.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	64,805.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	271,412.00	586,168.00
School District Contributions Subsequent to the Measurement Date	387,927.00	-
	<u>\$ 2,865,618.00</u>	<u>\$ 2,496,517.00</u>

\$387,927.00, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2019.

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) - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2019	\$ 140,355.00
2020	254,398.00
2021	125,357.00
2022	(341,739.00)
2023	(197,197.00)
	<u>\$ (18,826.00)</u>

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:

	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
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	-
June 30, 2017	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
June 30, 2017	5.48	5.48

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.25%	2.25%
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	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

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 (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the 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, 2017 are summarized in the following table:

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	<u>8.25%</u>	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2017 were 4.25% and 5.00% 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 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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. The State employer contributed 40% of the actuarially determined amount for TPAF and PERS and the local employers contributed 100% of the actuarially determined amount for PERS. 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 2036 for TPAF and 2040 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 for TPAF and 2040 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, 2017, 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 4.25%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
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	144,564,376.00	121,683,972.00	102,834,996.00
	<u>\$ 144,564,376.00</u>	<u>\$ 121,683,972.00</u>	<u>\$ 102,834,996.00</u>

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, 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:

	PERS		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
School District's Proportionate Share of the Net Pension Liability	\$ 11,806,673.00	\$ 9,517,152.00	\$ 7,609,697.00

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 <http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN****General Information about the OPEB Plan**

Plan Description and Benefits Provided - The State Health Benefit Local Education Retired Employees Plan (the "OPEB Plan") is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 - *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the "Division") and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publically available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

Contributions - The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey (the "State") in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Employees Covered by Benefit Terms - At June 30, 2018, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
	<u>366,078</u>

Total Non-Employer OPEB Liability

The State of New Jersey, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to the OPEB Plan for qualified retired TPAF, PERS, PFRS and ABP participants. The School District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the School District as of June 30, 2018 was \$79,983,318.00. Since the OPEB liability associated with the School District is 100% attributable to the State, the OPEB liability will be referred to as the total Non-Employer OPEB Liability.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

The total Non-Employer OPEB Liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total Non-Employer OPEB Liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. For the June 30, 2017 measurement date, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the School District was 0.1491117707%, which was an increase of 0.0001197532% from its proportion measured as of June 30, 2016.

Actuarial Assumptions and Other Inputs - The actuarial assumptions and other inputs vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2016 used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases -

	<u>TPAF/ABP (1)</u>	<u>PERS (2)</u>	<u>PFRS (2)</u>
Through 2026	1.55% - 4.55%	2.15% - 4.15%	2.10% - 8.98%
Thereafter	2.00% - 5.45%	3.15% - 5.15%	3.10% - 9.98%

(1) - Based on years of service

(2) - Based on age

Inflation Rate - 2.50%.

Mortality Rates - Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Experience Studies - The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

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

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

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

Changes in the Total Non-Employer OPEB Liability - The below table summarizes the State's proportionate share of the change in the Total Non-Employer OPEB Liability associated with the School District:

Balance at June 30, 2017		\$ 86,164,742.00
Changes for the Year:		
Service Cost	\$ 3,618,763.00	
Interest Cost	2,533,581.00	
Changes in Assumptions	(10,549,402.00)	
Gross Benefit Payments	(1,852,583.00)	
Member Contributions	<u>68,217.00</u>	
Net Changes		<u>(6,181,424.00)</u>
Balance at June 30, 2018		<u>\$ 79,983,318.00</u>

There were no changes in benefit terms between the June 30, 2016 measurement date and the June 30, 2017 measurement date.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% for the June 30, 2016 measurement date to 3.58% for the June 30, 2017 measurement date.

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate - The State's proportionate share of the total Non-Employer OPEB Liability as of June 30, 2017, associated with the School District, using a discount rate of 3.58%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used is as follows:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 94,945,968.96</u>	<u>\$ 79,983,318.00</u>	<u>\$ 68,114,801.05</u>

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Healthcare Cost Trend Rates - The State's proportionate share of the total Non-Employer OPEB Liability as of June 30, 2017, associated with the School District, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 65,778,547.06</u>	<u>\$ 79,983,318.00</u>	<u>\$ 98,847,086.66</u>

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Non-Employer OPEB Liability - For the fiscal year ended June 30, 2018, the School District recognized \$5,051,592.00 in OPEB expense and revenue, in the government-wide financial statements, for the State's proportionate share of the OPEB Plan's OPEB Expense, associated with the School District. This expense and revenue was based on the OPEB Plan's June 30, 2017 measurement date.

In accordance with GASBS No. 75, the School District's proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the School District. However, at June 30, 2018, the State's proportionate share of the total Non-Employer OPEB Liability's deferred outflows of resources and deferred inflows of resources, associated with School District, from the following sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion	\$ 54,724.00	\$ -
Changes of Assumptions or Other Inputs	<u>-</u>	<u>9,459,306.00</u>
	<u>\$ 54,724.00</u>	<u>\$ 9,459,306.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability, associated with the School District, will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (1,101,239.11)
2020	(1,101,239.11)
2021	(1,101,239.11)
2022	(1,101,239.11)
2023	(1,101,239.11)
Thereafter	<u>(3,898,386.45)</u>
	<u>\$ (9,404,582.00)</u>

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2018, 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 \$2,757,529.00, \$66,918.00, \$1,824,251.00, and \$4,353.00, 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.

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:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Employee</u> <u>Contributions</u>	<u>Claims</u> <u>Incurred</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 66,860.93	\$ 53,444.30	\$ 152,205.23
2017	66,793.96	73,040.45	138,788.60
2016	61,096.58	77,602.39	145,035.09

Joint Insurance Fund - The School District is a member of the School Alliance Insurance Fund. The Fund provides its members with the following coverage:

- General and Auto Liability
- Property and Audit Physical Damage
- Boiler and Machinery
- Comprehensive Crime Coverage
- Environmental Impairment Liability
- Excess Liability
- School Leaders Professional Liability

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended June 30, 2018, which can be obtained from:

School Alliance Insurance Fund
 51 Everett Drive
 Lawrenceville, New Jersey 08648

Note 13: DEFERRED COMPENSATION

The School District offers its employees a choice of various 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 National
Lincoln Investment Planning
American United Life
Met Life
Metropolitan Life
AXA Equitable

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 are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policy. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the School District for the unused sick leave in accordance with the School District's agreements with the various employee unions.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2018, the liability for compensated absences reported on the government-wide statement of net position was \$1,073,447.29.

Note 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 1,045,012.03	
Special Revenue		\$ 63,441.34
Capital Projects		977,320.69
Enterprise		6,750.00
Fiduciary	<u>2,500.00</u>	
	<u>\$ 1,047,512.03</u>	<u>\$ 1,047,512.03</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2019, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

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

Interfund Transfers:

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>
<u>Transfer Out:</u>			
General Fund		\$ 538,451.82	\$ 15,000.00
Capital Projects Fund	\$ 94,610.62		
Total Transfers	<u>\$ 94,610.62</u>	<u>\$ 538,451.82</u>	<u>\$ 15,000.00</u>

The transfers were a result of authorized capital reserve transferred to Capital Projects fund and the return of Capital Projects Fund balance to General Fund – Capital Reserve. In addition, there was a transfer to Food Service Fund to assist in the funding of the school food service program.

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.

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 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**NONSPENDABLE**

As stated in note 1, 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 District does not have any nonspendable fund balances as of June 30, 2018.

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.

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

Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

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, 2018 is \$375,936.75. Additionally, \$404,925.30 of excess fund balance generated during 2016-2017 has been restricted and designated for utilization in the 2018-2019 budget.

For Capital Reserve Account - As of June 30, 2018, the balance in the capital reserve account is \$1,066,093.42. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP). The School District has budgeted a withdrawal of \$507,450.00 for budgeted construction services for the fiscal year 2018-2019.

Capital Projects Fund - As of June 30, 2019, the balance in the capital projects fund is \$204,632.66, which is restricted for approved projects.

COMMITTED

As stated in note 1, 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 is the Board of Education. The School District did not authorize any specific commitments of the School District's Fund Balance.

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 an anticipated revenue for the fiscal year ending June 30, 2019 \$100,000.00 of general fund balance at June 30, 2018.

Other Purposes - As of June 30, 2018, the School District had \$215,056.27 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, 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, 2018, \$1,131,016.66 of general fund balance was unassigned.

FISCAL YEAR 2017

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Rutherford School District
Rutherford, New Jersey 07070

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 Borough of Rutherford School District, in the County of Bergen, 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

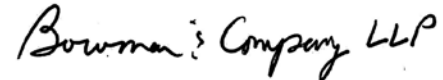
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Rutherford School District, in the County of Bergen, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Rutherford School District's basic financial statements. The School District's Comprehensive Annual Report for the fiscal year ended June 30, 2017 includes certain required supplementary information, including the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of School District's pension contributions, and other information that is not included with this presentation of the basic financial statements.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Certified Public Accountant
Public School Accountant No. CS 001113

Voorhees, New Jersey
October 25, 2017

RUTHERFORD SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 466,395.89	\$ 147,713.82	\$ 614,109.71
Receivables, net	1,771,514.10		1,771,514.10
Restricted Assets:			
Capital Reserve - Cash	1,723,784.62		1,723,784.62
Debt Service - Cash	540.00		540.00
Capital Assets, net (Note 5)	35,137,614.65		35,137,614.65
Total Assets	39,099,849.26	147,713.82	39,247,563.08
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 8)	3,921,597.00		3,921,597.00
Deferred Loss on Refunding	131,505.86		131,505.86
Total Deferred Outflows	4,053,102.86	-	4,053,102.86
LIABILITIES:			
Accounts Payable:			
Related to Pensions	378,747.00		378,747.00
Other	85,824.71	9,661.45	95,486.16
Payable to State Government	39,964.89		39,964.89
Internal Balances	(4,250.00)	4,250.00	
Accrued Interest Payable	249,897.11		249,897.11
Unearned Revenue	52,882.51	12,868.00	65,750.51
Noncurrent Liabilities (Note 6):			
Due within One Year	1,166,779.75		1,166,779.75
Due beyond One Year	24,869,716.50		24,869,716.50
Total Liabilities	26,839,562.47	26,779.45	26,866,341.92
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 8)	767,759.00	-	767,759.00
NET POSITION:			
Net Investment in Capital Assets	22,166,781.41		22,166,781.41
Restricted for:			
Debt Service	540.00		540.00
Capital Projects	1,818,395.24		1,818,395.24
Other Purposes	827,861.29		827,861.29
Unrestricted (Deficit)	(9,267,947.29)	120,934.37	(9,147,012.92)
Total Net Position	\$ 15,545,630.65	\$ 120,934.37	\$ 15,666,565.02

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

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

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 15,822,562.09	\$ 180,779.00	\$ 732,196.50	\$ (14,909,586.59)		\$ (14,909,586.59)	
Special Education	2,489,648.85			(2,489,648.85)		(2,489,648.85)	
Other Special Instruction	1,168,503.57			(1,168,503.57)		(1,168,503.57)	
Support Services:							
Tuition	4,228,235.89			(4,228,235.89)		(4,228,235.89)	
Student and Instruction Related Services	855,074.36		287,275.70	(567,798.66)		(567,798.66)	
Other Support Services - Student Related	2,708,827.46			(2,708,827.46)		(2,708,827.46)	
Improvement of Instruction	642,023.78			(642,023.78)		(642,023.78)	
School Administrative Services	1,772,973.28			(1,772,973.28)		(1,772,973.28)	
Other Administrative Services	588,765.53			(588,765.53)		(588,765.53)	
Administrative Information Technology	290,411.60			(290,411.60)		(290,411.60)	
Plant Operations and Maintenance	3,603,738.19			(3,603,738.19)		(3,603,738.19)	
Care and Upkeep of Grounds	37,350.00			(37,350.00)		(37,350.00)	
Pupil Transportation	1,424,136.13			(1,424,136.13)		(1,424,136.13)	
Business and Other Support	641,365.25			(641,365.25)		(641,365.25)	
Unallocated Benefits	20,138,105.13		13,789,292.97	(6,348,812.16)		(6,348,812.16)	
Transfer to Charter School	19,647.00			(19,647.00)		(19,647.00)	
Interest on Long-Term Debt	325,248.49			(325,248.49)		(325,248.49)	
Debt Issuance Costs	240,200.00			(240,200.00)		(240,200.00)	
Unallocated Depreciation	1,242,418.93			(1,242,418.93)		(1,242,418.93)	
Total Governmental Activities	58,239,235.53	180,779.00	14,808,765.17	(43,249,691.36)	-	(43,249,691.36)	
Business-Type Activities:							
Food Service	93,557.73	66,950.07			\$ (26,607.66)	(26,607.66)	
Community Education	93,244.45	102,061.52			8,817.07	8,817.07	
Summer Music	10,785.70	16,822.00			6,036.30	6,036.30	
Total Business-Type Activities	197,587.88	185,833.59	-	-	(11,754.29)	(11,754.29)	
Total Government	\$ 58,436,823.41	\$ 366,612.59	\$ 14,808,765.17	\$ -	(43,249,691.36)	(11,754.29)	
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net				39,067,666.00		39,067,666.00	
Taxes Levied for Debt Service				1,466,250.00		1,466,250.00	
Federal and State Aid not Restricted				3,077,884.65		3,077,884.65	
Federal and State Aid Restricted				316,487.07		316,487.07	
Transfers				(25,000.00)	25,000.00		
Miscellaneous Income				67,681.08		67,681.08	
Total General Revenues and Transfers				43,970,968.80	25,000.00	43,995,968.80	
Change in Net Position				721,277.44	13,245.71	734,523.15	
Net Position -- July 1				14,824,353.21	107,688.66	14,932,041.87	
Net Position -- June 30				\$ 15,545,630.65	\$ 120,934.37	\$ 15,666,565.02	

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

RUTHERFORD 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	\$ 2,190,180.51			\$ 540.00	\$ 2,190,720.51
Receivables from Other Governments	667,090.40	\$ 125,773.11	\$ 977,320.69		1,770,184.20
Other Accounts Receivable	1,329.90				1,329.90
Interfund Receivables	938,272.39				938,272.39
Total Assets	\$ 3,796,873.20	\$ 125,773.11	\$ 977,320.69	\$ 540.00	\$ 4,900,507.00
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 51,398.82	\$ 34,425.89			\$ 85,824.71
Interfunds Payable		51,312.32	\$ 882,710.07		934,022.39
Payable to State Government		39,964.89			39,964.89
Unearned Revenue	52,812.50	70.01			52,882.51
Total Liabilities	104,211.32	125,773.11	882,710.07	-	1,112,694.50
Fund Balances:					
Restricted:					
Capital Reserve Account	1,723,784.62				1,723,784.62
Capital Projects			94,610.62		94,610.62
Excess Surplus - Current Year	404,925.30				404,925.30
Excess Surplus - Designated for Subsequent Year's Expenditures	422,935.99				422,935.99
Debt Service Fund				\$ 540.00	540.00
Assigned:					
Other Purposes	225,832.42				225,832.42
Unassigned	915,183.55				915,183.55
Total Fund Balances	3,692,661.88	-	94,610.62	540.00	3,787,812.50
Total Liabilities and Fund Balances	\$ 3,796,873.20	\$ 125,773.11	\$ 977,320.69	\$ 540.00	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$75,657,928.85 and the accumulated depreciation is \$40,520,314.20	35,137,614.65
Interest on long-term debt in the statement of activities is accrued, regardless of when due.	(249,897.11)
Deferred loss on refundings are not financial resources and therefore are not reported in the funds.	131,505.86
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(13,949,452.25)
Net Pension Liability	(12,087,044.00)
Accounts Payable related to the April 1, 2018 Required PERS pension contribution that is not to be liquidated with current financial resources.	(378,747.00)
Deferred Outflows of Resources - Related to Pensions	3,921,597.00
Deferred Inflows of Resources - Related to Pensions	(767,759.00)
Net Position of Governmental Activities	\$ 15,545,630.65

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

RUTHERFORD 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	\$ 39,067,666.00			\$ 1,466,250.00	\$ 40,533,916.00
Tuition Charges	180,779.00				180,779.00
Miscellaneous	67,681.08				67,681.08
Local Sources		\$ 97,201.57			97,201.57
State Sources	8,171,129.97	177,786.20	\$ 282,546.07		8,631,462.24
Federal Sources	7,972.65	778,425.43			786,398.08
	<u>47,495,228.70</u>	<u>1,053,413.20</u>	<u>282,546.07</u>	<u>1,466,250.00</u>	<u>50,297,437.97</u>
Total Revenues					
EXPENDITURES:					
Current:					
Regular Instruction	15,888,881.85				15,888,881.85
Special Education Instruction	1,754,641.07	732,196.50			2,486,837.57
Other Special Instruction	1,168,503.57				1,168,503.57
Support Services and Undistributed Costs:					
Tuition	4,228,235.89				4,228,235.89
Student and Instruction Related Services	567,798.66	287,275.70			855,074.36
Other Support Services - Student Related	2,708,827.46				2,708,827.46
Improvement of Instruction	642,023.78				642,023.78
School Administrative Services	1,772,973.28				1,772,973.28
Other Administrative Services	569,898.80				569,898.80
Administrative Information Technology	291,579.31				291,579.31
Plant Operations and Maintenance	3,486,360.50		27,357.00		3,513,717.50
Care and Upkeep of Grounds	37,350.00				37,350.00
Pupil Transportation	1,418,199.82				1,418,199.82
Business and Other Support	641,365.25				641,365.25
Unallocated Benefits	5,652,017.36				5,652,017.36
On-Behalf Contributions	5,101,217.97				5,101,217.97
Transfer of Funds to Charter Schools	19,647.00				19,647.00
Debt Service:					
Principal				940,000.00	940,000.00
Interest and Other Charges	75,126.00			286,050.00	361,176.00
Bond Issuance Costs				240,200.00	240,200.00
Capital Outlay	274,690.67	33,941.00	750,605.03		1,059,236.70
	<u>46,299,338.24</u>	<u>1,053,413.20</u>	<u>777,962.03</u>	<u>1,466,250.00</u>	<u>49,596,963.47</u>
Total Expenditures					

(Continued)

RUTHERFORD 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	\$ 1,195,890.46	-	\$ (495,415.96)	-	\$ 700,474.50
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	1,005.00		62,307.00		63,312.00
Operating Transfers Out	(87,307.00)		(1,005.00)		(88,312.00)
Proceeds from Issuance of Refunding Bonds				11,115,000.00	11,115,000.00
Premium from Issuance of Refunding Bonds				1,032,722.50	1,032,722.50
Payment to Refunded Debt Escrow Agent				(12,147,722.50)	(12,147,722.50)
Total Other Financing Sources and Uses	(86,302.00)	-	61,302.00	-	(25,000.00)
Net Change in Fund Balances	1,109,588.46		(434,113.96)	-	675,474.50
Fund Balance -- July 1	2,583,073.42		528,724.58	\$ 540.00	3,112,338.00
Fund Balance -- June 30	\$ 3,692,661.88	\$ -	\$ 94,610.62	\$ 540.00	\$ 3,787,812.50

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

RUTHERFORD 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	\$	675,474.50
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	\$	(1,591,681.58)
Capital Outlays		<u>1,059,236.70</u>
		(532,444.88)
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.		
		940,000.00
Governmental funds report the effect of premiums, discounts and similar items when long-term debt (bonds) are first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the amortized premium and the deferral of pension in the treatment of long-term debt and related items.		
Pension Deferral		8,049.20
Amortization of Loss on Refunding Bonds		(6,216.64)
Amortization of Bond Premiums		46,615.95
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)		
		(3,126.63)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		(20,731.63)
Repayment of capital leases is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the Statement of Activities.		
		318,501.57
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 exceed the School District's pension contributions in the current period.		
		<u>(704,844.00)</u>
Change in Net Postion of Governmental Activities	\$	<u><u>721,277.44</u></u>

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

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

	Business Type Activities - Enterprise Funds			<u>Total</u>
	<u>Food Service</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 33,428.92	\$ 67,125.82	\$ 47,159.08	\$ 147,713.82
Total Assets	<u>33,428.92</u>	<u>67,125.82</u>	<u>47,159.08</u>	<u>147,713.82</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	6,681.45		480.00	7,161.45
Interfunds Accounts Payable:				
Due to General Fund			4,250.00	4,250.00
Due to Student Activities Fund			2,500.00	2,500.00
Unearned Revenue			12,868.00	12,868.00
Total Liabilities	<u>6,681.45</u>	<u>-</u>	<u>20,098.00</u>	<u>26,779.45</u>
NET POSITION:				
Unrestricted	<u>26,747.47</u>	<u>67,125.82</u>	<u>27,061.08</u>	<u>120,934.37</u>
Total Net Position	<u>\$ 26,747.47</u>	<u>\$ 67,125.82</u>	<u>\$ 27,061.08</u>	<u>\$ 120,934.37</u>

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

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

	Business Type Activities - Enterprise Funds			<u>Total</u>
	<u>Food Service</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales - Non-Reimbursable Programs				
School Lunch Program	\$ 66,950.07			\$ 66,950.07
Miscellaneous			\$ 1,358.00	1,358.00
Fees for Enrollment		\$ 102,061.52	15,464.00	117,525.52
Total Operating Revenues	<u>66,950.07</u>	<u>102,061.52</u>	<u>16,822.00</u>	<u>185,833.59</u>
OPERATING EXPENSES:				
Salaries		25,410.00	7,500.00	32,910.00
Employee Benefits		2,169.28		2,169.28
Other Professional Services		32,701.50		32,701.50
Supplies and Materials		1,089.70	3,285.70	4,375.40
Postage		17,583.97		17,583.97
Printing Services		14,290.00		14,290.00
Miscellaneous	1,121.79			1,121.79
Cost of Sales - Non-Reimbursable Programs	92,435.94			92,435.94
Total Operating Expenses	<u>93,557.73</u>	<u>93,244.45</u>	<u>10,785.70</u>	<u>197,587.88</u>
Net Income (Loss) Before Contributions and Transfers	(26,607.66)	8,817.07	6,036.30	(11,754.29)
Operating Transfers In - General Fund	<u>25,000.00</u>			<u>25,000.00</u>
Change in Net Position	(1,607.66)	8,817.07	6,036.30	13,245.71
Net Position -- July 1	<u>28,355.13</u>	<u>58,308.75</u>	<u>21,024.78</u>	<u>107,688.66</u>
Net Position -- June 30	<u>\$ 26,747.47</u>	<u>\$ 67,125.82</u>	<u>\$ 27,061.08</u>	<u>\$ 120,934.37</u>

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

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

	Business Type Activities - Enterprise Funds			
	<u>Food Service</u>	<u>Community Education Program</u>	<u>Summer Music Program</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 67,235.07	\$ 102,061.52	\$ 30,170.00	\$ 199,466.59
Payments to Employees		(25,410.00)	(7,500.00)	(32,910.00)
Payments for Employee Benefits		(2,169.28)		(2,169.28)
Payments to Suppliers and Other Operating Payments	<u>(123,031.58)</u>	<u>(65,665.17)</u>	<u>(3,285.70)</u>	<u>(191,982.45)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(55,796.51)</u>	<u>8,817.07</u>	<u>19,384.30</u>	<u>(27,595.14)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Interfund Transfer - Due General Fund			4,250.00	4,250.00
Interfund Transfer - Due Student Activities Fund			2,500.00	2,500.00
Operating Transfers - General Fund	<u>25,000.00</u>			<u>25,000.00</u>
Net Cash Provided by Non-Capital Financing Activities	<u>25,000.00</u>	<u>-</u>	<u>6,750.00</u>	<u>31,750.00</u>
Cash and Cash Equivalents -- July 1	<u>64,225.43</u>	<u>58,308.75</u>	<u>21,024.78</u>	<u>143,558.96</u>
Cash and Equivalents -- June 30	<u>\$ 33,428.92</u>	<u>\$ 67,125.82</u>	<u>\$ 47,159.08</u>	<u>\$ 147,713.82</u>
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (26,607.66)	\$ 8,817.07	\$ 6,036.30	\$ (11,754.29)
Adjustments to Reconcile Operating Loss to Net Cash				
Provided by (used for) Operating Activities:				
(Increase) Decrease in Accounts Receivable, net	304.45		480.00	784.45
Increase (Decrease) in Accounts Payable	(29,473.85)			(29,473.85)
Increase (Decrease) in Unearned Revenue	<u>(19.45)</u>		<u>13,348.00</u>	<u>13,328.55</u>
Total Adjustments	<u>(29,188.85)</u>	<u>-</u>	<u>13,828.00</u>	<u>(15,360.85)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (55,796.51)</u>	<u>\$ 8,817.07</u>	<u>\$ 19,864.30</u>	<u>\$ (27,115.14)</u>

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

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

	Private-Purpose Trust Funds			Agency Funds	
	Unemployment Compensation <u>Trust</u>	Flexible Benefit <u>Trust</u>	Scholarship <u>Fund</u>	Student Activity	<u>Payroll</u>
ASSETS:					
Cash and Cash Equivalents	\$ 148,479.62	\$ 12,083.57	\$ 112,845.85	\$ 166,925.89	\$ 142.01
Interfund Accounts Receivable				2,500.00	
Total Assets	<u>148,479.62</u>	<u>12,083.57</u>	<u>112,845.85</u>	<u>\$ 169,425.89</u>	<u>\$ 142.01</u>
LIABILITIES:					
Accounts Payable	9,691.02			\$ 4,636.54	
Payable to Student Groups				164,789.35	
Payroll Deductions and Withholdings					\$ 142.01
Total Liabilities	<u>9,691.02</u>	<u>-</u>	<u>-</u>	<u>\$ 169,425.89</u>	<u>\$ 142.01</u>
NET POSITION:					
Restricted:					
Held in Trust for:					
Unemployment Compensation	138,788.60				
Payment of Claims		12,083.57			
Scholarships			112,845.85		
Total Net Position	<u>\$ 138,788.60</u>	<u>\$ 12,083.57</u>	<u>\$ 112,845.85</u>		

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

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

	<u>Private-Purpose Trust Funds</u>			<u>Total</u>
	<u>Unemployment Compensation Trust</u>	<u>Flexible Benefit Trust</u>	<u>Scholarship Fund</u>	
ADDITIONS:				
Contributions			\$ 5,350.00	\$ 5,350.00
Employee Withholdings	\$ 66,793.96	\$ 41,350.70		108,144.66
Interest on Investments			312.17	312.17
Total Additions	<u>66,793.96</u>	<u>41,350.70</u>	<u>5,662.17</u>	<u>113,806.83</u>
DEDUCTIONS:				
Scholarships Awarded			10,842.95	10,842.95
Claims and Premiums Paid		48,977.87		48,977.87
New Jersey Catastrophic Illness	834.00			834.00
Due Agency - Employee Withholdings	28,425.65			28,425.65
Quarterly Unemployment Contributions	43,780.80			43,780.80
Total Deductions	<u>73,040.45</u>	<u>48,977.87</u>	<u>10,842.95</u>	<u>132,861.27</u>
Net Position -- July 1	<u>145,035.09</u>	<u>19,710.74</u>	<u>118,026.63</u>	<u>282,772.46</u>
Net Position -- June 30	<u>\$ 138,788.60</u>	<u>\$ 12,083.57</u>	<u>\$ 112,845.85</u>	<u>\$ 263,718.02</u>

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

RUTHERFORD SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rutherford 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 Bergen, 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 Pre-K through 12 at its five schools. The School District has an approximate enrollment at June 30, 2017 of 2,551.

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. 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 determined that the following organizations are considered component units, and is not significant. Therefore, it has not been included in the basic financial statements.

Rutherford Education Foundation
P.O. Box 246
Rutherford, New Jersey 07070

Complete financial statements of the component unit can be obtained from its administrative offices.

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 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. 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 Bergen 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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.

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. 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.

Summer Music Program Fund - This fund accounts for the financial activity related to providing summer music lessons to students.

Community Education Fund - This fund accounts for the financial activity related to providing adult school activities within the School District.

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 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 funds:

Scholarship Fund - Revenues consist of donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

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.

Flexible Benefit Trust Account - Revenues consist of employee contributions held in trust by the District for medical claims.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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.

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 exhibit C-1, exhibit C-2, and exhibit 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.

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

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.

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

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. The School District had no prepaid expenses for the fiscal year ended 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:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 20 Years
Motor Vehicles	4 - 10 Years
Buildings and Improvements	10 - 50 Years
Land Improvements	10 - 20 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Deferred Outflows and Deferred Inflows of Resources (Cont'd)**

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.

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.

Accrued Salaries and Wages

Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Compensated Absences (Cont'd)**

The School District uses the vesting 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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position (Cont'd)**

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.

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.

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

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 had no 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 adoption of this Statement had no 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 adoption of this Statement did not have a significant 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, 2017, the School District's bank balances of \$4,009,748.11 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 3,804,744.41
Uninsured and Uncollateralized	<u>205,003.70</u>
Total	<u>\$ 4,009,748.11</u>

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District 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	\$ 885,086.62
Increased by:	
Deposits:	
Board Resolution, June 26, 2017	\$ 900,000.00
Transfer from Capital Projects Fund	<u>1,005.00</u>
	<u>901,005.00</u>
	1,786,091.62
Decreased by:	
Withdrawals:	
Transfer to Capital Projects Fund	<u>62,307.00</u>
Ending Balance, June 30, 2017	<u>\$ 1,723,784.62</u>

The June 30, 2017 LRFP balance of local support costs of uncompleted projects at June 30, 2017 is \$10,563,392.00. The withdrawals from the capital reserve were for use in a 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 accounts (fees for services), intergovernmental awards / grants. All 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:

<u>Description</u>	<u>Governmental Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Activities</u>	
Federal Awards		\$ 118,836.81		\$ 118,836.81	\$ 118,836.81
State Awards	\$ 667,090.40	6,936.30	\$ 977,320.69	1,651,347.39	1,651,347.39
Tuition Charges	1,329.90			1,329.90	1,329.90
	<u>\$ 668,420.30</u>	<u>\$ 125,773.11</u>	<u>\$ 977,320.69</u>	<u>\$ 1,771,514.10</u>	<u>\$ 1,771,514.10</u>

Note 5: CAPITAL ASSETS

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

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 7,502,700.00			\$ 7,502,700.00
Construction in Progress	213,444.70	\$ 716,660.03	\$ (930,104.73)	
Total Capital Assets, not being Depreciated	<u>7,716,144.70</u>	<u>716,660.03</u>	<u>(930,104.73)</u>	<u>7,502,700.00</u>
Capital Assets, being Depreciated:				
Furniture, Fixtures and Equipment	3,563,350.19	203,039.07		3,766,389.26
Motor Vehicles	546,350.10	91,842.57		638,192.67
Buildings and Improvements	61,847,559.66	47,695.03	930,104.73	62,825,359.42
Land Improvements	925,287.50			925,287.50
Total Capital Assets, being Depreciated	<u>66,882,547.45</u>	<u>342,576.67</u>	<u>930,104.73</u>	<u>68,155,228.85</u>
Total Capital Assets, Cost	<u>74,598,692.15</u>	<u>1,059,236.70</u>		<u>75,657,928.85</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(2,076,090.46)	(312,826.45)		(2,388,916.91)
Motor Vehicles	(294,486.84)	(47,568.77)		(342,055.61)
Buildings and Improvements	(35,773,180.92)	(1,213,063.65)		(36,986,244.57)
Land Improvements	(784,874.40)	(18,222.71)		(803,097.11)
Total Accumulated Depreciation	<u>(38,928,632.62)</u>	<u>(1,591,681.58)</u>		<u>(40,520,314.20)</u>
Total Capital Assets, being Depreciated, Net	<u>27,953,914.83</u>	<u>(1,249,104.91)</u>	<u>930,104.73</u>	<u>27,634,914.65</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,670,059.53</u>	<u>\$ (532,444.88)</u>	<u>\$ -</u>	<u>\$ 35,137,614.65</u>

Note 5: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:	
Regular Instruction	\$ 192,806.46
Other Administrative Services	18,866.73
Plant Operations and Maintenance	90,020.69
Transportation	47,568.77
Unallocated	<u>1,242,418.93</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,591,681.58</u>

Note 6: LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 12,950,000.00	\$ 11,115,000.00	\$ (12,950,000.00)	\$ 11,115,000.00	\$ 840,000.00
Plus Amounts:					
Issuance Premiums		1,032,722.50	(46,615.95)	986,106.55	
Total Bonds Payable	<u>12,950,000.00</u>	<u>12,147,722.50</u>	<u>(12,996,615.95)</u>	<u>12,101,106.55</u>	<u>840,000.00</u>
Other Liabilities:					
Obligations under Capital Lease	1,069,837.01		(318,501.57)	751,335.44	304,197.80
Compensated Absences	1,003,835.83	35,350.50	(14,618.87)	1,024,567.46	14,532.75
Pension (PERS) Payment Deferral	80,492.00		(8,049.20)	72,442.80	8,049.20
Net Pension Liability (note 8)	9,958,348.00	5,014,417.00	(2,885,721.00)	12,087,044.00	
Total Other Liabilities	<u>12,112,512.84</u>	<u>5,049,767.50</u>	<u>(3,226,890.64)</u>	<u>13,935,389.70</u>	<u>326,779.75</u>
Governmental Activity Long-Term Liabilities	<u>\$ 25,062,512.84</u>	<u>\$ 17,197,490.00</u>	<u>\$ (16,223,506.59)</u>	<u>\$ 26,036,496.25</u>	<u>\$ 1,166,779.75</u>

The bonds payable and obligations under capital lease are generally liquidated by the debt service fund, while the compensated absences, pension deferral, and net pension liability are liquidated by the general fund.

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 December 28, 2006, the School District issued \$7,100,000.00 general obligation bonds at interest rates varying from 4.00% to 4.25% for various construction and renovation projects. The final maturity of these bonds was originally January 15, 2028, however, the School District issued refunding bonds on December 13, 2016 to advance refund the bonds maturing on January 15, 2018 through January 15, 2028. The final payment was paid on January 15, 2017.

On January 3, 2007, the School District issued \$9,930,000.00 general obligation bonds at interest rates varying from 4.00% to 5.50% for various construction and renovation projects. The final maturity of these bonds was originally January 1, 2028, however, the School District issued refunding bonds on December 13, 2016 to advance refund the bonds maturing on January 15, 2018 through January 15, 2028. The final payment was paid on January 15, 2017.

Note 6: LONG-TERM LIABILITIES (CONT'D)

Bonds Payable (Cont'd) - On December 13, 2016, the School District issued \$11,115,000.00 of refunding bonds at interest rates varying from 4.00% to 5.00% to refund the callable bonds of the 2006 and 2007 issues. The final maturity of these bonds is January 15, 2028. The bonds will be paid from property taxes.

Principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 840,000.00	\$ 495,553.33	\$ 1,335,553.33
2019	910,000.00	421,500.00	1,331,500.00
2020	945,000.00	385,100.00	1,330,100.00
2021	995,000.00	347,300.00	1,342,300.00
2022	1,030,000.00	307,500.00	1,337,500.00
2023-2027	5,345,000.00	902,100.00	6,247,100.00
2028	1,050,000.00	52,500.00	1,102,500.00
Total	<u>\$ 11,115,000.00</u>	<u>\$ 2,911,553.33</u>	<u>\$ 14,026,553.33</u>

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 computer equipment, network equipment, and vehicles totaling \$764,717.79 under capital leases. All capital leases are for terms of three to five years. Capital leases are depreciated in a manner consistent with the School District's depreciation policy for owned assets.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 306,649.45	\$ 6,977.49	\$ 313,626.94
2019	267,288.65	4,477.29	271,765.94
2020	177,397.34	1,927.57	179,324.91
Total	<u>\$ 751,335.44</u>	<u>\$ 13,382.35</u>	<u>\$ 764,717.79</u>

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 13 for a description of the School District's policy.

Public Employees' Retirement System (PERS) Payment Deferral - On March 17, 2009, P.L. 2009, c.19 (S-21) was signed into legislation and provided regular and vocational school districts the option of deferring fifty percent (50%) of the school district's 2008-09 regular PERS pension liability. School districts that elected to defer the pension liability were required to begin repaying the deferred amount over fifteen (15) years, starting in April of 2012. The amount to be paid will fluctuate based on the pension system investment earnings on the unfunded liability. At any time, however, upon requesting a payoff amount from the Division of Pensions and Benefits, a school district may pay off the deferred amount. The deferral of the aforementioned PERS payment was only an option for 2008-09 fiscal year. Commencing in fiscal year June 30, 2010, and beyond, the full annual PERS pension liability is required to be budgeted and paid.

On April 13, 2009, the School District adopted a resolution electing to defer fifty percent (50%) of the April 2009 payment, equaling a total deferral of \$120,738.00. The following is a schedule for the payment of the PERS deferral, based on an interest rate of 8.25%. N.J.S.A 43:15A-24b requires the use of "regular interest" when the actuary calculates the amortization of the unfunded accrued liability of the pension system, which is set by the State Treasurer (N.J.S.A. 43:15A-6n) and currently is 8.25%.

Note 6: LONG-TERM LIABILITIES (CONT'D)

Public Employees' Retirement System (PERS) Payment Deferral - Principal and interest due on the outstanding pension deferral is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferral Payment</u>	<u>Interest</u>	<u>Total Projected Payment</u>
2018	\$ 8,049.20	\$ 5,976.53	\$ 14,025.73
2019	8,049.20	5,312.47	13,361.67
2020	8,049.20	4,648.41	12,697.61
2021	8,049.20	3,984.35	12,033.55
2022	8,049.20	3,320.30	11,369.50
2023-2026	32,196.80	6,640.59	38,837.39
Total	<u>\$ 72,442.80</u>	<u>\$ 29,882.66</u>	<u>\$ 102,325.46</u>

Net Pension Liability - For details on the net pension liability, refer to note 8. 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 7: 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:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 63,519.84
2019	46,056.84
2020	25,566.84
2021	24,438.57
2022	4,056.00
	<u>\$ 163,638.09</u>

Rental payments under operating leases for the fiscal year ended June 30, 2017 were \$82,448.13.

Note 8: 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 8: 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 New Jersey 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.

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 8: 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 1/55th 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.

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 8: 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 7.20% 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 than 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 7.53% 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 \$1,444,143.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$1,387,243.02.

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.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 14.10% 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 \$362,559.00, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$195,334.53.

Note 8: 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, 2017, employee contributions totaled \$58,264.42, and the School District recognized pension expense, which equaled the required contributions, of \$42,886.45. 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, 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	<u>142,648,960.00</u>
	<u>\$142,648,960.00</u>

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 0.1813341141%, which was a decrease of 0.0047050845% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized \$1,067,382.00 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.

Note 8: 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, 2017, the School District reported a liability of \$12,087,044.00 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 0.0408109893%, which was a decrease of 0.0035508685% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized pension expense of \$1,067,382.00 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 224,782.00	\$ -
Changes of Assumptions	2,503,790.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	460,890.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	353,388.00	767,759.00
School District Contributions Subsequent to the Measurement Date	378,747.00	-
	<u>\$ 3,921,597.00</u>	<u>\$ 767,759.00</u>

Note 8: 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) - \$378,747.00, 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	\$	634,736
2019		634,736
2020		748,575
2021		606,437
2022		150,607
		<u>\$ 2,775,091.00</u>

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 8: PENSION PLANS (CONT'D)**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:

	<u>TPAF</u>	<u>PERS</u>
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

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:

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>TPAF</u>		<u>Asset Class</u>	<u>PERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%			
	<u>100.00%</u>			<u>100.00%</u>	

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.

Note 8: 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, 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:

	TPAF		
	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	<u>170,354,737.00</u>	<u>142,648,960.00</u>	<u>120,023,618.00</u>
	<u>\$ 170,354,737.00</u>	<u>\$ 142,648,960.00</u>	<u>\$ 120,023,618.00</u>

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:

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
School District's Proportionate Share of the Net Pension Liability	<u>\$ 14,811,262.00</u>	<u>\$ 12,087,044.00</u>	<u>\$ 9,837,967.00</u>

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 9: 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 10: 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 \$1,959,029.00, \$70,980.00, \$1,691,459.00, and \$4,256.00, respectively.

Note 11: 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.

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.

Note 11: RISK MANAGEMENT (CONT'D)

New Jersey Unemployment Compensation Insurance (Cont'd) - 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:

<u>Fiscal Year Ended June 30,</u>	<u>Employee Contributions</u>	<u>Claims Incurred</u>	<u>Ending Balance</u>
2017	\$ 66,793.96	\$ 73,040.45	\$ 138,788.60
2016	61,096.58	77,602.39	145,035.09
2015	62,731.88	89,923.52	161,540.90

Joint Insurance Fund - The School District is a member of the School Alliance Insurance Fund. The Fund provides its members with the following coverage:

General and Auto Liability
Property and Audit Physical Damage
Boiler and Machinery
Comprehensive Crime Coverage
Environmental Impairment Liability
Excess Liability
School Leaders Professional Liability

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended June 30, 2017, which can be obtained from:

School Alliance Insurance Fund
51 Everett Drive
Lawrenceville, New Jersey 08648

Note 12: DEFERRED COMPENSATION

The School District offers its employees a choice of various 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 National
Lincoln Investment Planning
American United
Met Life
Metropolitan Life
Equitable

Note 13: 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.

Note 13: COMPENSATED ABSENCES (CONT'D)

School District employees are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policy. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the School District for the unused sick leave in accordance with the School District's agreements with the various employee unions.

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 was \$1,024,567.46.

Note 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 938,272.39	
Special Revenue		\$ 51,312.32
Capital Projects		882,710.07
Summer Music		6,750.00
Fiduciary	<u>2,500.00</u>	
	<u>\$ 940,772.39</u>	<u>\$ 940,772.39</u>

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:

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects Fund</u>
<u>Transfer Out:</u>			
General Fund		\$ 25,000.00	\$ 62,307.00
Capital Projects Fund	<u>\$ 1,005.00</u>		
Total Transfers	<u>\$ 1,005.00</u>	<u>\$ 25,000.00</u>	<u>\$ 62,307.00</u>

The transfers were a result of authorized capital reserve transferred to Capital Projects fund and the return of Capital Projects Fund balance to General Fund – Capital Reserve. In addition, there was a transfer to Food Service Fund to assist in the funding of the school food service program.

Note 15: CAPITAL DEBT REFUNDING

On December 13, 2016, the School District issued \$11,115,000.00 in general obligation bonds with interest rates varying from 4.00% to 5.00% to refund \$12,010,000.00 of outstanding 2006 series bonds with interest rates varying from 4.00% to 4.25% and 2007 series bonds with interest rates varying from 4.00 to 5.50%. The bonds were issued at a premium of \$1,032,722.50. The net proceeds of \$12,006,899.64 (after payment of issuance costs of \$140,822.86) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 and 2007 series bonds. As a result of the current refunding, the School District will reduce its total debt service payments over the next ten years by \$957,246.67, which results in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$825,321.09, or 6.9% of the principal amount being refunded. The current 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.

As of June 30, 2017, the total amount of defeased debt outstanding, but removed from the School District's financial statements, is \$12,010,000.00

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.

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 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**NONSPENDABLE**

As stated in note 1, 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 District does not have any nonspendable fund balances as of June 30, 2017.

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:

Note 18: FUND BALANCES (CONT'D)**RESTRICTED (CONT'D)****General Fund**

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 \$404,925.30. Additionally, \$422,935.99 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 \$1,723,784.62. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP). The School District has budgeted a withdrawal of \$732,850.00 for utilization in the 2017-2018 budget.

Capital Projects Fund - As of June 30, 2017, the balance in the capital projects fund is \$94,610.62, which is restricted for approved projects.

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 a result, the School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2018 \$540.00 of debt service fund balance at June 30, 2017.

COMMITTED

As stated in note 1, 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 is the Board of Education. The School District did not authorize any specific commitments of the School District's Fund Balance.

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

Other Purposes - As of June 30, 2017, the School District had \$225,832.42 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, 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, \$915,183.55 of general fund balance was unassigned.

APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

_____, 2019

The Board of Education of the
Borough of Rutherford
Rutherford, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$45,330,000 aggregate principal amount of School Bonds, Series 2019 (the “Bonds”) of The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the “Education Law”); (ii) a proposal adopted by the Board on June 3, 2019 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on September 24, 2019 and (iii) a resolution adopted by the Board on October 28, 2019 (the “Resolution”).

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form in principal amounts of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing December 15, 2020 and semi-annually thereafter on the fifteenth day of June and December in each year until maturity or prior redemption, and shall mature on December 15 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$1,100,000		2033	\$2,200,000	
2022	1,100,000		2034	2,200,000	
2023	1,100,000		2035	2,200,000	
2024	1,150,000		2036	2,200,000	
2025	1,150,000		2037	2,200,000	
2026	1,165,000		2038	2,200,000	
2027	1,165,000		2039	2,200,000	
2028	2,200,000		2040	2,200,000	
2029	2,200,000		2041	2,200,000	
2030	2,200,000		2042	2,200,000	
2031	2,200,000		2043	2,200,000	
2032	2,200,000		2044	2,200,000	

The Bonds of this issue are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including the bond referendum proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Education Law, the Proposal and the Resolution; (ii) the Bonds are valid and legally binding obligations of the Board; and (iii) all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Board has covenanted to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

[The Bonds maturing on December 15 in the years 20__ through 20__, inclusive (the “[Premium] Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

[We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on December 15 in the years 20__ through 20__, inclusive (the “[Discount] Bonds”) and their respective initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the [Discount] Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each [Discount] Bond and the basis of each [Discount] Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

Except as stated in the preceding _____ () paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of _____, 2019 (the “Disclosure Certificate”) is executed and delivered by The Board of Education of the Borough of Rutherford in the County of Bergen, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$45,330,000 aggregate principal amount of School Bonds, Series 2019 dated their date of delivery (the “Bonds”). The Bonds are being issued by virtue of a proposal adopted by the Board on June 3, 2019 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on September 24, 2019 and pursuant to a resolution entitled, “RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$45,330,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2019 OF THE BOARD OF EDUCATION OF THE BOROUGH OF RUTHERFORD IN THE COUNTY OF BERGEN, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH”, duly adopted by the Board on October 28, 2019 (the “Bond Resolution”). The Board covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an “Obligated Person” under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

“*Continuing Disclosure Information*” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Business Administrator/Board Secretary of the Board or his/her designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

“Financial Obligation” shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *“Financial Obligation”* shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“SEC Release No. 34-59062” shall mean Release No. 34-59062 of the SEC dated December 5, 2008.

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2019 (for the fiscal year ending June 30, 2019), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial

statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2020) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Board does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall, in a timely manner, send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Board (if the Dissemination Agent is not the Board).

(d) Each year the Dissemination Agent shall file a report with the Board (if the Dissemination Agent is not the Board), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Board changes, the Board shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Board, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. The Board's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Board (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available).

The audited financial statements are to be prepared in accordance with generally accepted accounting principles (GAAP).

(2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated December 4, 2019, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A under the sections relating to (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with

EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

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

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

- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

The Board shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in this subsection (a) of this Section 5, the Board may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Board has or obtains knowledge of the occurrence of any of the Listed Events, the Board shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Board determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Board is not the Dissemination Agent) and the Board shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Board determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Board) and the Dissemination Agent (if the Dissemination Agent is not the Board) shall be instructed by the Board not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Board to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Board (if the Dissemination Agent is not the Board). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Dissemination Agent; Compensation. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Board or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis

of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the Board 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 Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Board of Education:

The Board of Education of the
Borough of Rutherford
176 Park Avenue
Rutherford, New Jersey 07070
Attention: Business Administrator/Board Secretary

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

The Board of Education of the
Borough of Rutherford
176 Park Avenue
Rutherford, New Jersey 07070
Attention: Business Administrator/Board Secretary

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 14. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 15. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE
BOROUGH OF RUTHERFORD**

By: _____
JOSEPH P. KELLY,
**Business Administrator/
Board Secretary**

EXHIBIT A

**NOTICE TO EMMA OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the Borough of Rutherford
 in the County of Bergen, New Jersey

Name of Issue: \$45,330,000 School Bonds, Series 2019
 Dated: _____, 2019
 (CUSIP Number: 783311____)

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of _____, 2019 executed by the Board.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board