NEW ISSUE **Rating: (See "RATING" herein)**
(Book-Entry-Only)

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 16, 2020

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the School District (as hereinafter defined) with certain tax covenants described herein, under existing law, interest on the Bonds (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and does not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals. In addition, interest on the Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the Bonds and any gain from the sale thereof is not included in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed.

$37,616,000
THE BOARD OF EDUCATION OF THE TOWNSHIP OF DEPTFORD IN THE COUNTY OF GLOUCESTER, NEW JERSEY SCHOOL BONDS, SERIES 2020
(Callable)

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

The $37,616,000 aggregate principal amount of School Bonds, Series 2020 ("Bonds"), of The Board of Education of the Township of Deptford, in the County of Gloucester, New Jersey ("Board" when referring to the governing body, and "School District" when referring to the legal entity governed by the Board), shall be issued in fully registered book-entry-only form without coupons. Principal of and interest on the Bonds will be paid to DTC (as hereinafter defined) on the respective maturity date thereof upon presentation and surrender of the Bonds to the School District or its hereinafter designated paying agent, if any. Interest on the Bonds is payable semi-annually on January 15 and July 15, commencing on July 15, 2021, in each year until maturity or earlier redemption. The Bonds are subject to optional redemption prior to their respective maturity dates as set forth herein.

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

The School District is issuing the Bonds pursuant to: (i) Title 18A, Chapter 24, of the New Jersey Statutes, as amended and supplemented; *N.J.S.A.* 18A:24-1 *et seq*.; and (ii) a resolution, duly and finally adopted by the Board on June 2, 2020. The Bonds are authorized by a proposal adopted by the Board on November 19, 2019, and approved by the legal voters of the School District at a special election held on January 28, 2020 ("Proposal").

The Bonds are being issued to provide funds which will be used to: (i) permanently finance the costs of the capital improvements set forth in the Proposal; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

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

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS

Year	Principal Amount	Interest Rate	Yield	CUSIP[1]	Year	Principal Amount	Interest Rate	Yield	CUSIP[1]
2022	$781,000	%	%		2037	$1,500,000	%	%	
2023	800,000				2038	1,555,000			
2024	830,000				2039	1,555,000			
2025	885,000				2040	1,555,000			
2026	935,000				2041	1,555,000			
2027	985,000				2042	1,555,000			
2028	1,040,000				2043	1,555,000			
2029	1,090,000				2044	1,555,000			
2030	1,140,000				2045	1,555,000			
2031	1,190,000				2046	1,455,000			
2032	1,250,000				2047	1,455,000			
2033	1,300,000				2048	1,450,000			
2034	1,350,000				2049	1,450,000			
2035	1,400,000				2050	1,440,000			
2036	1,450,000								

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

The Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the School District in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the School District by its Solicitor, Albert K. Marmero, Esquire, of the law firm of Grace Marmero & Associates LLP, Woodbury, New Jersey. It is anticipated that the Bonds in definitive form will be available for delivery through DTC on or about July __, 2020.

ELECTRONIC SUBMISSIONS FOR THE SCHOOL BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON JUNE 23, 2020. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.GOVDEBT.NET

[1]CUSIP is 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 School District does not make any representations 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 specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF DEPTFORD
IN THE COUNTY OF GLOUCESTER, NEW JERSEY**

MEMBERS OF THE BOARD

Susan Kryszczak, President
James McDevitt, Vice President
Carol Gioia
Ed Kalinowski
Ruth Logue
Joe McKenna
Laura Newcomb
Linda Rosser
Frank Scambia

SUPERINTENDENT

Arthur Dietz

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Todd D. Reitzel

AUDITOR

Bowman & Company LLP
Voorhees, New Jersey

BOARD ATTORNEY

Grace Marmero & Associates LLP
Woodbury, New Jersey

BOND COUNSEL

Parker McCay P.A.
Mount Laurel, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

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

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

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

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

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

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

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OFFICIAL STATEMENT
Relating to

$37,616,000
THE BOARD OF EDUCATION OF THE TOWNSHIP OF DEPTFORD
IN THE COUNTY OF GLOUCESTER, NEW JERSEY
SCHOOL BONDS, SERIES 2020
(Callable)

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices attached hereto, sets forth certain information relating to The Board of Education of the Township of Deptford, in the County of Gloucester, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board) and the issuance of $37,616,000 aggregate principal amount of its School Bonds, Series 2020 ("Bonds"), pursuant to a proposal approved by the voters of the School District and a resolution of the Board described below.

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

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

AUTHORIZATION FOR THE BONDS

The School District is issuing the Bonds pursuant to: (i) Title 18A, Chapter 24, of the New Jersey ("State") Statutes, as amended and supplemented; *N.J.S.A.* 18A:24-1 *et seq*. ("School Bond Law"); and (ii) a resolution duly adopted by the Board on June 2, 2020 ("Resolution"). The Bonds are authorized by a proposal adopted by the Board on November 19, 2019 and approved by the legal voters of the School District at a special election held on January 28, 2020 ("Proposal").

PURPOSE OF THE BOND ISSUE

The Bonds are being issue to provide funds which will be used to: (i) permanently finance the costs of the capital improvements set forth in the Proposal; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds (the "Project")

The Proposal authorized a capital program consisting of: (i) construction of a new additions to the **Monongahela Middle School,** to accommodate new classrooms and other academic space as well as new central School District administrative offices, together with interior renovations to the main office, science labs, teacher work rooms, cafeteria and gymnasium, exterior renovations to windows, doors, parking areas and driveways, HVAC improvements and electrical system upgrades at that facility**,** (ii) renovations to science labs and HVAC improvements at the **Deptford High School,** and (iii) replacement of the gymnasium floors at the **Central Early Childhood Center, Pine Acres Early Childhood Center and Shady Lane Elementary School,** together with the acquisition of all equipment and the completion of all work necessary or desirable to make said improvements compatible with the existing facilities.

The School District is authorized to expend an amount not to exceed $37,616,854 for the Project (of which, $22,232,587 represents eligible costs ("Final Eligible Costs"), as determined by the Commissioner of Education), for which the State has agreed to pay approximately 40.00% of the debt service on the portion of the Bonds (including both principal and interest) issued to finance the Final Eligible Costs of the Project.

THE BONDS

General Description

The Bonds will be issued in the aggregate principal amount of $37,616,000, will be dated the date of delivery and will bear interest from that date. Interest on the Bonds will be payable semi-annually on January 15 and July 15 ("Interest Payment Dates"), commencing July 15, 2021, in each year until maturity or earlier redemption. The Bonds will mature on July 15 in the years and in the principal amounts, all as shown on the cover page of this Official Statement. The Bonds shall be subject to redemption prior to their stated maturity dates as set forth herein.

The Bonds will be issued in fully registered book-entry-only form without coupons in the principal denominations of $5,000, or any integral multiple of $5,000, and in integral multiples of $1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Bonds. The principal of the Bonds will be payable to the registered owners at maturity upon presentation and surrender of the Bonds at the offices of the School District or its hereafter designated paying agent, if any. Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the School District or its hereafter designated paying agent, if any, for such purpose at the principal offices of the School District or its hereafter designated paying agent, if any, as of the close of business on the first (1st) day of the calendar month containing an Interest Payment Date ("Record Date").

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

Book-Entry Only System[1]

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, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC

[1] Source: The Depository Trust Company

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

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

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

Purchases of the 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 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 School District or its hereafter designated paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions 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 School District or its hereafter designated paying agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its hereafter designated paying agent, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or its hereafter designated paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

NEITHER THE SCHOOL DISTRICT NOR ANY HEREAFTER DESIGNATED PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE

PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

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

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions would 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 principal corporate trust office of the School District or its hereafter designated paying agent, if any; (ii) the transfer of any Bonds may be registered on the books maintained by the School District or its hereafter designated paying agent, if any, for such purpose only upon the surrender thereof to the School District or its hereafter designated paying agent, if any, together with the duly executed assignment in form satisfactory to the School District or its hereafter designated paying agent, if any; and (iii) for every exchange or registration of transfer of Bonds, the School District or its hereafter designated paying agent, if any, may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date.

Redemption Provisions

The Bonds maturing prior to July 15, 2028 are not subject to redemption prior to maturity. The Bonds maturing on and after July 15, 2028 are subject to redemption prior to their stated maturity dates at the option of the School District, upon notice as set forth below, as a whole or in part (and, if in part, such maturities as the School District shall determine and within any such maturity by lot) on any date on or after July 15, 2027, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date.

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Taxing Power

The Bonds are general obligations of the School District and the full faith and credit of the School District are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are payable, if payment is not provided in any other manner, from *ad valorem* taxes to be levied upon all taxable real property located within the School District without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

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

New Jersey School Bond Reserve Act

The Bonds will be secured under the provisions of the New Jersey School Bond Reserve Act of 1980, Chapter 56 of Title 18A of the New Jersey Statutes, as amended and supplemented, *N.J.S.A.* 18A:56-17 *et seq.* ("School Bond Reserve Act"). Pursuant to the School Bond Reserve Act, there shall be a reserve comprised of two accounts, one in an amount equal to at least one and one-half percent (1.5%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued before July 1, 2003 ("Old Reserve Account") and another in an amount equal to at least one percent (1%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 ("New Reserve Account", together with the Old Reserve Account, the "School Bond Reserve"). The amount to be held within the State Fund ("Fund") for the Support of Free Public Schools as the School Bond Reserve pledged by law to secure payments of principal and interest due on such bonds in the event of the inability of the issuer to make payment shall be determined on June 30 of each fiscal year by the State Treasurer and shall be funded in the amount determined by the State Treasurer on September 15 of the ensuing fiscal year. If the Old Reserve Account exceeds the amount determined to be required, the State Treasurer may transfer the excess to the New Reserve Account. The School Bond Reserve is required to be composed entirely of direct obligations of the United States Government or obligations guaranteed by the full faith and credit of the United States Government. The amount of the School Bond Reserve may not exceed the moneys available in the Fund. If a county, municipality or school district is unable to meet payment of principal of or interest on any of its bonds issued for school purposes, it shall certify such liability to the Commissioner of Education ("Commissioner") and the Director of the Division of Local Government Services ("Director") at least ten (10) days prior to the date any such payment is due. If the Commissioner and Director approve the certification, they shall certify the same to the trustees of the Fund. The trustees of the Fund will purchase such bonds at par value or will pay to the bondholders the interest due or to become due within the limit of funds available in either account of the School Bond Reserve in accordance with the provisions of the School Bond Reserve Act.

Payment by the trustees of the Fund on behalf of any county, municipality or school district shall be deducted from the appropriation or apportionment of State aid which may otherwise be payable to the school district, county or municipality, and shall not obligate the State or entitle the school district, county or municipality to the payment of any additional appropriation or apportionment. To date, there has been no occasion to call upon this Fund.

GENERAL INFORMATION REGARDING
NEW JERSEY SCHOOL DISTRICTS

State's Role in Public Education

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

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the State Department of Education ("Department") which is a part of the executive branch of the State government. The Department is governed by the State Board of Education ("State Board"). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that are binding upon school districts, to acquire land and other property and to decide appeals from decisions of the Commissioner on matters of school law or State Board regulations.

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

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

Structure of New Jersey School Districts

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

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

STATE AID TO SCHOOL DISTRICTS

General

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

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

The Quality Education Act of 1990

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

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

Comprehensive Educational Improvement and Financing Act of 1996

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

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

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

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

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

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

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

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

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

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

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

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

Educational Facilities Construction and Financing Act

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

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

School Funding Reform Act of 2008

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

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

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

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

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

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

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

Recent Developments in State Aid

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

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

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a seven-year transition period during which funding will be reduced (with the exception of the Board of Education of the City of Jersey City, where the transition period will be five years). For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year. The School District makes no representations as to how the SFRA Modification Law will impact the School District's State aid in future years. Any changes in the School District's State aid due to the SFRA Modification Law will be accounted for in the School District's annual budget.

FEDERAL AID TO SCHOOL DISTRICTS

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

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

Levy and Collection of Taxes

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

School Budgets

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

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

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

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

Limitation of Increase in the Net Current Expense Budget

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

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

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

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

Uniform System of Bookkeeping

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

Annual Audits

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

Debt Limitation

Except as provided below, no additional debt shall be authorized by a local school district if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grade kindergarten 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 is within its debt capacity.

Exceptions to Debt Limitation

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

Bonds and Notes

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

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

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

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

Exceptions to the Requirements for the Issuance of Bonds and Notes

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

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

Capital Lease Financing

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

Related Constitutional and Statutory Provisions

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

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

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

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

Rights and Remedies of Owners of Bonds

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

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

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

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

Limitation of Remedies Under Federal Bankruptcy Code

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

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

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

INFORMATION REGARDING THE SCHOOL DISTRICT

General

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

Financial

Appendix "B" to this Official Statement contains audited financial statements of the School District for the Fiscal Years 2019 and 2018. A copy of the 2019 audit prepared by Bowman & Company LLP, Voorhees, New Jersey, containing the financial statements and complete Reports of Audit may be obtained upon request to the office of the Business Administrator/Board Secretary.

LITIGATION

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

APPROVAL OF LEGAL PROCEEDINGS

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

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

TAX MATTERS

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the School District, assuming continuing compliance by the School District with the tax covenants described below, under existing law, interest on the Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and does not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals.

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

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

In rendering this opinion, we have assumed continuing compliance by the School District that it will comply with the applicable requirements of the Code, including requirements relating to, inter alia, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the School District to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that affect the tax-exempt status of the interest on the Bonds.

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

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The School District has ***not*** designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

New Jersey

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

Changes in Federal and State Tax Law

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

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

CONTINUING DISCLOSURE

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

Within the five years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, audited financial information for the fiscal years ending June 30, 2018. A late filing notice has been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The Board appointed Phoenix Advisors, LLC in May of 2015 to serve as continuing disclosure agent.

UNDERWRITING

The Bonds have been purchased from the School District at a public sale by ________________________, ___________, as underwriter ("Underwriter"), pursuant to a Certificate of Determination and Award, dated June __, 2020. The Underwriter has purchased the Bonds in accordance with the Notice of Sale and the Official Form of Proposal. The Underwriter is obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the 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 bonds into investment trusts) at yields higher than the public offering yields set forth on the cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

NO DEFAULT

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

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, served as municipal advisor to the Board ("Municipal Advisor") with respect to the issuance of the Bonds. Certain information set forth herein has been obtained from the Board and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instruments.

CERTAIN RISK FACTORS

Recent Healthcare Developments

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus ("Coronavirus"), which was first detected in China and has spread to other countries, including the United States, has been declared a pandemic by the World Health Organization, a national emergency by the President of the United States ("President") and a state of emergency by the Governor of the State ("Governor"). The spread of the Coronavirus has affected global economics and financial markets, which has led to volatility and reduced liquidity. Virtually all sectors of the

United States economy, with the exception of essential services, have been reduced or shutdown resulting in significant reductions in the GDP. Additionally, unemployment in the United States has reached historic levels.

In response, and as noted above, the President declared a national emergency on March 13, 2020, which made available federal resources to combat the spread of the virus. Subsequently, the federal government has adopted multiple bills authorizing various forms of aid including, but not limited to, Medicaid expansion, unemployment benefits and paid emergency leave, immediate cash relief for individuals and a broad lending program for businesses and governmental entities. The Federal Reserve has also lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending and liquidity programs to banks, money market mutual funds, businesses and certain governmental entities.

The State has also taken action to assist residents effected by the Coronavirus. In particular, on March 28, 2020, the Governor announced a ninety (90) day forbearance program for mortgage payments for borrowers economically impacted by the Coronavirus. Additionally, the income tax filing deadline and the corporation business tax filing deadline has been extended from April 15 to July 15 and the State fiscal year has been extended to September 30, 2020. Further, pursuant to Executive Order 130, the Governor authorized municipalities in the State to adopt a resolution instituting a grace period concluding on June 1, 2020 for: (i) the payment of second quarter taxes for municipalities on a calendar year budget cycle; and (ii) the payment of fourth quarter taxes for municipalities on a fiscal year budget cycle. As the School District is not the primary public body responsible for the collection of taxes, it cannot control the extent to which these grace periods will be granted by the constituent municipalities within the School District, if at all. If instituted, the impact of these changes could result in short and long-term reductions in available tax and other miscellaneous revenue for the School District. As part of a planned multi-staged approach to restart the State's economy, the Governor has signed a series of executive orders beginning on April 29, 2020 permitting the resumption of certain activities. Additional executive orders relating to the resumption of certain activities may be executed by the Governor in the future as part of the planned multi-staged approach to restart the State's economy.

The School District cannot predict, and does not predict, the duration, severity or ultimate impact of the Coronavirus, or the intervening legislative and gubernatorial measures in response thereto, upon global, State-wide and local economies and operations, including that of the School District.

The School District has provided and intends to continue to provide essential educational services in and for the School District. In addition, the School District is closely monitoring the spread and effects of the Coronavirus and interacts regularly with other appropriate governmental agencies in this regard, including taking such actions as it deems beneficial to prevent the spread of the Coronavirus.

Cyber Security

The School District relies on a large and complex technology environment to conduct its various operations. As a result, the School District faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the School District has invested in multiple forms of cybersecurity and operational safeguards.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") is expected to assign its rating of "AA-" to the Bonds based upon the creditworthiness of the Board. The Bonds are additionally secured by the School Bond Reserve.

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

PREPARATION OF OFFICIAL STATEMENT

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

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

Bond Counsel has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except under the heading "TAX MATTERS") and, accordingly, will express no opinion with respect thereto.

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

LEGALITY FOR INVESTMENT

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement may be directed to Todd Reitzel, Business Administrator/Board Secretary at 2022 Good Intent Road, Deptford, New Jersey 08096, (856) 232-2700 or to the Municipal Advisor, Phoenix Advisors, LLC, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

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

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

This Official Statement has been duly executed and delivered by the Business Administrator/Board Secretary of the School District.

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

By: ____
TODD REITZEL,
Business Administrator/Board Secretary

Dated: June __, 2020

APPENDIX A

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

GENERAL INFORMATION ON THE SCHOOL DISTRICT (1)

Primary and Secondary

The Board of Education of the Township of Deptford (“Board” when referring to the governing body and “School District” when referring to the legal entity governed by the Board) is a type II school district, consisting of nine members who are elected at large for three-year terms.

The Township's public school system has a total of eight schools: six elementary schools, one junior high school and one high school. See "Present School Facilities, Enrollment and Capacity" below.

SCHOOL DISTRICT ENROLLMENTS (1)

	2020		2019		2018		2017		2016		2015	
	Regular Ed	Special Ed	Regular Ed	Special Ed	Regular Ed	Special Ed	Regular Ed	Special Ed	Regular Ed	Special Ed	Regular Ed	Special Ed
PreK	173		183		212		190		231		198	
Kindegarten	273		291		261		306		273		329	
1st Grade	269		249		302		269		312		313	
2nd Grade	240		279		252		289		315		354	
3rd Grade	266		224		272		293		340		266	
4th Grade	222		262		290		323		256		276	
5th Grade	262	302	285	306	321	283	259	281	259	262	303	240
6th Grade	288		322		245		267		298		296	
7th Grade	309		237		255		285		290		272	
8th Grade	231	195	240	186	277	172	280	169	260	151	269	135
9th Grade	188		208		242		220		233		230	
10th Grade	196		231		221		228		232		258	
11th Grade	226		216		233		232		250		205	
12th Grade	203	212	227	192	219	184	250	192	206	168	200	161
TOTALS	3346	709	3454	684	3602	639	3691	642	3755	581	3769	536

Present School Facilities, Enrollment and Capacity

Facilities	Date Constructed	Renovations/ Additions	Functional Grades	10/15/19 Enrollment	Functional Capacity
Deptford High School	1956	1956,1957, 1992,1995,2003	9-12	1,025	1,468
Monongahela Junior High	1964	1968,2003	7-8	673	560
Central Early Childhood Center (ECC)	2003	2003	Pre K-1	606	552
Good Intent Elementary	1960	1967,1996	2-6	350	515
Lake Tract Elementary	1963	1968,1973	2-6	398	294
Oak Valley Elementary	1958	1967	2-6	358	276
Pine Acres ECC	1964	2003	Pre K-1	257	290
Shady Lane Elementary	1956	1963,1973,2003	2-6	388	500
					4,525

(1) Source: School District Officials

Budget History

Budget Year	Outcome of Election	General Fund Tax Levy As Originally Proposed
2019-2020	(1)	$43,045,120
2018-2019	(1)	41,327,968
2017-2018	(1)	40,517,615
2016-2017	(1)	39,687,220
2015-2016	(1)	38,464,482

School District Employees

	June 30,				
	2019	2018	2017	2016	2015
Totals	725	721	704	708	704

Employee Collective Bargaining Unit

Collective Bargaining Unit	Contract Employees Represented	Expiration Date
Deptford Township Education Association	650	6/30/2022
Deptford Township Administrators Association	21	6/30/2021

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts under the School District's personnel policies. For additional information regarding compensated absences, see Appendix B: Financial Statements of the School District, Note 12 to Financial Statements.

Pension Plans

Those School District employees who are eligible for pension coverage are enrolled in one of two pension systems established for school districts by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension plans, see Appendix B: Financial Statements of the School District, Note 8 to Financial Statements.

(1) Current Expense Levy was within the 2.0% State CAP, therefore an election was not required.

HIGHER EDUCATION FACILITIES

Rowan College of South Jersey

Rowan College of South Jersey formed on July 1, 2019 as the result of a historic jointure of two community colleges – Cumberland County College and Rowan College at Gloucester. It is fully accredited by the Middle States Commission on Higher Education, and is an open door, comprehensive, two-year public institution, dedicated to meeting the needs of area residents and employers for educational advancement and career training. It is the first partnership of its kind in New Jersey, with more than 100 years of combined experience in delivering affordable, quality education to students throughout the region.

Rowan College of South Jersey provides students with more choices, including the option to pursue advanced degrees at Rowan University and other four-year universities, without ever leaving the Rowan College of South Jersey campuses. It serves more than 10,000 full- and part-time students with degree and workforce development programs on campuses in Cumberland and Gloucester Counties. Together these two campuses offer more than 120 unique degrees and certificates, combining 100 years of experience to provide a variety of degree selections, cost-saving initiatives, and scholarship and internship opportunities, at one of the lowest tuition rates in the State.

The merger of these two community colleges, in conjunction with an expanded 10-year premier partnership agreement with Rowan University, leads the way to a future filled with diverse and one-of-a-kind educational opportunities. Students seeking can take classes and save money with high school dual enrollment programs, including "Rowan High School Start" and the High School Option Program (HSOP); two successful collaborations between Rowan College of South Jersey and local high schools. Through exclusive programs like Rowan Choice and "3+1" degree offerings, the education cost savings are substantial and students can easily transition to Rowan University for a bachelor's degree. Academic and workforce-training programs ensure the availability of skilled employees, answering both professional and community needs.

The exciting connection between education, business and labor also extends into the medical field. The 27 miles along Route 55 between Rowan College of South Jersey's Gloucester and Cumberland campuses integrates education, medical services and commerce to establish South Jersey's first EDs, MEDs & Commerce Corridor. The premier partnership with Rowan University — a research university with two medical schools — and future campus construction intended to house both public and private medical, labor and business entities, will continue to increase the academic advantages for students while benefitting economic development in the South Jersey region.

Rowan University (1)

Rowan University ("University") is a public national research university located in Glassboro, Camden and Stratford, New Jersey. It is recognized for its nationally ranked academic and athletic programs, talented professors and high-tech facilities. Rowan prides itself on being able to provide its approximately 19,500 students an outstanding education at an exceptional value.

(1) Rowan University 2019 Audit

The University is comprised of seven academic colleges and five schools, including the William G. Rohrer College of Business; the Henry M. Rowan College of Engineering; the Colleges of Communication and Creative Arts, Education, Humanities and Social Sciences, Performing Arts, and Science and Mathematics; the Cooper Medical School of Rowan University; the Rowan University School of Osteopathic Medicine; the Graduate School of Biomedical Sciences; the School of Health Professions; and the School of Earth an Environment, along with an Honors College. Rowan's Division of Global Learning and Partnerships offers flexible undergraduate and graduate programs on campus and off site – including at two area community colleges – and online. Within these colleges and schools the University offers more than 75 bachelor's degrees, 44 master's degrees, six doctoral degrees (Ed.D. and Ph.D.) and two professional degrees.

Rowan is one of three universities in the nation to offer M.D. and D.O. medical degree programs. The institution is also home to the South Jersey Technology Park, which fosters the translation of applied research into commercial products and processes. U.S. News & World Report, in its "Best Colleges 2020" special edition, ranked Rowan University #79 among public universities and #166 among all National Universities. The Carnegie Classification of Institutions of Higher Education has designated Rowan as an R2 institution (high research activity), making it just one of 139 of more than 4,300 colleges and universities across the country with that distinction.

The State of New Jersey ("State") recognizes the University as a comprehensive research university and as a public institution of higher education. The New Jersey Legislature appropriates funds annually to support the University. However, the University operates autonomously from the State.

Gloucester County Institute of Technology

The Gloucester County Institute of Technology ("Institute") provides a full range of regionalized occupational and technical County-wide educational services and programs appropriate to the needs of the students of 13 public high schools, and adults who seek educational opportunities that lead to employment or higher education. The Institute also provides programming for secondary students who wish to continue to higher education through Tech Prep matriculation agreements with various county colleges and four-year institutions.

As of June 30, 2019, there are approximately 1,406 students are enrolled in the Institute's Academy and Career-Technical programs. Recent construction has added, among other things, a cafeteria, gymnasium and classrooms to the academic facilities in order to keep pace with demand.

In addition to its day school enrollment, the Institute serves an average of 4,000 residents in various programs, including: (i) adult and continuing education programs; (ii) County employees in customized training programs; (iii) adults in the skill center; (iv) over 400 at-risk youth and their families in school-based youth services counseling; (v) the U.S. Junior Olympics swim team of 175 members; and (vi) the joint auto technology program with Rowan College serving 40 adult students in an AAS degree program.

Gloucester County Special Services School District

Gloucester County Special Services School District ("GCSSSD") provides a wide range of educational services to the families of the County. GCSSSD serves children with special needs from birth to age 21. The enrollment for the 28-acre Bankbridge complex in Deptford, as of June 2019, was approximately 610 special needs students.

Bankbridge Regional opened its doors in September 2000 and serves secondary level students who have special needs. In September 2002, GCSSSD opened Bankbridge Elementary School. The elementary school is located next to Bankbridge Regional and serves special needs students from pre-kindergarten to grade six (6).

The Bankbridge Development Center ("BDC") opened in 2007. With an emphasis on developing skills in the areas of communication, socialization, and independence, the BDC strives toward helping students become participating and contributing members of their community. Education, advocacy, public awareness efforts, and the promotion of research form the cornerstones of the activities. Together, they can promote lifelong access and opportunity for all individuals within the autism spectrum and/or multiply disabled.

BDC student outcome goals include, but are not limited to:

- The development of a functional communication system in order to increase interaction and enhance adaptive behaviors.
- Effectively providing functional, skill based instruction to develop each student's social, behavioral and academic abilities.
- Providing students with the skills necessary to become contributing and functional members of society.

The staff at BDC is dedicated to educating and supporting the special needs students who attend BDC. Each classroom and specialty area has been carefully designed to provide an encouraging but challenging learning environment to help the children reach their maximum potential. The programs are tailored to meet the specific needs of each child. The philosophy, goals, and objectives of the BDC reflect the diversity of the children they serve. Programs are designed to meet their educational, social, and emotional needs.

In addition to the schools, GCSSSD provides the following services to support the special needs children of the County: (i) the Early Intervention Program for children from birth to age 3 and their families; and (ii) the Center for Regional Education Support Services (CRESS) which provides professional services to the school districts in the County and the County of Camden.

GCSSSD also provides support to nonpublic students through their schools including remedial programs, speech-language therapy and textbook purchasing. GCSSSD's Special Projects Program provides Migrant Services to more than 3,000 students and families throughout the southern region of New Jersey.

SCHOOL DISTRICT BUDGETS

	2020-2021	2019-2020
Revenues:		
General Fund:		
Budgeted Fund Balance	$2,150,240	$1,366,411
Withdraw from Capital Reserve	677,000	
Subtotal	2,827,240	1,366,411
Revenues from Local Sources:		
Local Tax Levy	43,906,022	43,045,120
Tuition	375,000	375,000
Rents and Royalties	7,500	
Interest Earned on Capital Reserve Funds	7,500	4,000
Other Restricted Miscellaneous Revenues	100,000	
Unrestricted Miscellaneous Revenues	195,000	184,000
Subtotal	44,591,022	43,608,120
Revenues from Federal Sources:		
Medicaid Reimbursement	110,227	101,638
Revenues from State Sources:		
Equalization Aid	22,174,046	21,524,670
School Choice Aid	118,995	131,763
Categorical Special Education Aid	2,328,005	2,328,005
Categorical Transportation Aid	1,711,578	1,711,578
Categorical Security Aid	483,815	483,815
Extraordinary Aid	400,000	300,000
Other State Aids	60,000	50,000
Subtotal	27,276,439	26,529,831
Total General Fund	74,804,928	71,606,000
Special Revenue Funds:		
State Aid	628,745	806,983
Federal Aid	1,785,000	1,840,000
Total Revenues from Federal and State Sources	2,413,745	2,646,983
Transfers from Operating Budget-PreK(Special Education)	40,000	
Total Special Revenue Funds	2,453,745	2,646,983
Debt Service:		
Local Tax Levy	1,341,500	1,332,531
Budgeted Fund Balance		9,269
Total Debt Service	1,341,500	1,341,800
Total Revenues/Sources	$78,600,173	$75,594,783
Deduct Transfer- Transfers from Operating Budget-Pre-Kindergarten	$ 40,000	
Total Revenues/Sources Net of Transfers	$ 78,560,173	

SCHOOL DISTRICT BUDGETS

	2020-2021	2019-2020
Appropriations:		
General Current Expense:		
Regular Programs--Instruction	$23,562,867	$22,935,685
Special Education-Instruction	5,532,380	5,535,880
Basic Skills/Remedial-Instruction	700,000	665,000
Bilingual Education-Instruction	290,000	280,500
School-Spon. Co-curricular or Extracurricular Activities-Instruction	294,300	253,300
School Sponsored Athletics-Instruction	1,080,500	774,800
Undistributed Expenditures:		
Instruction	5,929,360	5,804,775
Attendance and Social Work Services	161,000	155,000
Health Services	686,248	640,498
Other Support Services--OT, PT and Related Services	839,800	838,395
Other Support Services--Students - Extraordinary Services	1,786,895	1,103,362
Other Support Services-Students-Guidance	1,308,650	1,234,150
Other Support Services-Students-Child Study Teams	1,645,500	1,586,350
Improvement of Instructional Services	407,833	398,600
Education Media Services - School Library	607,250	594,250
Instructional Staff Training Services	42,410	23,022
Support Services-General Administration	853,000	869,500
Support Services-School Administration	2,399,405	2,359,264
Central Services	549,750	548,750
Admin, Info Technology	602,500	577,560
Operation and Maintenance of Plant Services	6,153,000	5,819,500
Student Transportation Services	3,911,000	3,691,300
Undistributed Expenditures-Food Services	70,000	170,000
Personal Services-Employee Benefits	12,713,000	12,843,000
Total Undistributed Expenditures	40,666,601	39,257,276
Total General Current Expenses	72,126,648	69,702,441
Capital Outlay:		
Equipment	627,939	671,000
Facilities, Acquisition and Construction Services	1,897,841	751,559
Increase in Capital Reserve		165,000
Interest Deposit to Capital Reserve	7,500	4,000
Total Capital Outlay	2,533,280	1,591,559
Special Schools	10,000	62,000
Transfer of Funds to Charter Schools	135,000	250,000
General Fund Grand Total	74,804,928	71,606,000
Special Revenue Funds:		
State Projects	668,745	806,983
Federal Projects	1,785,000	1,840,000
Total Special Revenue Funds	2,453,745	2,646,983
Debt Service Funds:		
Debt Service-Regular	1,341,500	1,341,800
Total Debt Service Funds	1,341,500	1,341,800
Total Expenditures/Appropriations	$78,600,173	$75,594,783
Deduct Transfer- Local Contribution-Transfer to Special Revenues-Regular	$ 40,000	
Total Revenues/Sources Net of Transfers	$ 78,560,173	

DEPTFORD TOWNSHIP BOARD OF EDUCATION
HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Revenues					
Tax Levy	$ 42,671,667	$ 41,865,515	$ 41,035,906	$ 39,908,282	$ 38,624,680
Tuition Charges	387,304	584,016	813,490	452,379	322,655
Interest Earnings	119,928	25,129	5,760	2,528	696
Miscellaneous	161,178	47,786	106,824	112,448	315,337
State Sources	37,214,104	35,975,572	32,606,584	31,605,097	30,247,095
Federal Sources	1,858,134	1,957,705	2,096,857	2,113,554	1,960,246
Local Sources		500	4,937	5,063	16,013
Total Revenue	82,412,315	80,456,223	76,670,358	74,199,351	71,486,722
Expenditures					
Instruction					
Regular Instruction	22,440,087	23,509,272	22,651,872	23,415,876	22,920,487
Special Education Instruction	4,554,610	4,121,083	3,936,671	3,897,859	3,303,324
Other Special Instruction	2,104,366	1,754,638	1,761,026	1,615,383	1,545,530
Support Services:					
Tuition	6,294,288	5,380,139	4,719,675	4,576,912	4,757,738
Student & Instruction Related Services	6,959,589	8,714,579	7,349,614	7,111,390	6,449,005
General Administrative Services	869,150	998,031	940,658	992,939	1,042,134
School Administrative Services	2,375,427	2,716,810	2,660,268	2,679,708	2,554,577
Central Services	506,710	457,454	670,244	665,798	624,945
Adminstrative Information Technology	448,677	594,722	836,269	839,376	882,199
Plant Operations and Maintenance	5,603,301	5,423,279	5,465,499	6,011,088	5,755,410
Pupil Transportation	3,641,837	4,211,604	4,053,915	4,086,791	4,215,472
Unallocated Employee Benefits	22,100,883	21,143,453	20,027,070	17,590,117	15,775,599
Transfer to Charter School	219,283	265,233	168,272	139,758	105,349
Special Schools	37,743	74,779	84,841	90,554	
Capital Outlay	457,484	974,312	930,095	1,632,904	1,307,643
Debt Service:					
Principal	1,230,000	1,210,000	1,210,000	1,100,000	1,050,000
Interest and Other Charges	113,700	137,900	286,527	606,710	533,641
Total Expenditures	79,957,135	81,687,288	77,752,516	77,053,163	72,823,053
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,455,180	(1,231,065)	(1,082,158)	(2,853,812)	(1,336,331)
Other Financing Sources (Uses)					
Capital Leases (Non-budgeted)				650,558	
Proceeds of Refunding Debt				7,490,000	
Payment to Refunded Debt Escrow Agent				(7,560,777)	
Original Issue Premium				185,846	
Transfers In			288,780	249,561	25,205
Transfers Out	(182,532)	(225,000)	(488,780)	(249,561)	(25,205)
Total Other Financing Sources (Uses)	(182,532)	(225,000)	(200,000)	765,627	-
Net Change in Fund Balances	2,272,648	(1,456,065)	(1,282,158)	(2,088,185)	(1,336,331)
Fund Balance - June 30	1,498,934	2,954,999	4,237,157	6,325,342	7,661,673
Fund Balance - June 30	$ 3,771,582	$ 1,498,934	$ 2,954,999	$ 4,237,157	$ 6,325,342

Source: District Records

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION--ALL PROPRIETARY FUND TYPES

	For the Fiscal Year Ended June 30,				
	2019	**2018**	**2017**	**2016**	**2015**
OPERATING REVENUES:					
Charges for Services:					
Daily Sales - Reimbursable Programs	$ 333,794	$ 404,651	$ 397,468	$ 355,523	$ 383,990
Daily Sales - Non-Reimbursable Programs	192,355	183,570	236,168	260,092	200,826
Special Functions	19,504	28,479	14,168	11,509	5,805
Community Service Activities	536,263	267,564	137,986		
Miscellaneous	16,762	135	150		
Total Operating Revenues	1,098,678	884,399	785,940	627,124	590,621
OPERATING EXPENSES:					
Salaries	1,064,225	1,006,704	914,778	781,779	700,745
Employee Benefits	229,763	241,833	210,743	132,174	127,780
Supplies and Materials	106,120	90,969	70,179	72,080	77,321
Cost of Sales	675,219	702,147	677,816	664,191	597,123
Purchased Professional Services		11,475	10,370	10,015	
Other Purchased Services	4,464	2,824	3,539	3,068	3,640
Dues and Subscriptions				100	
Office and Uniform Expense	3,173	8,202	6,875	12,443	8,522
Equipment		9,296	7,398	10,470	5,217
Repairs and Maintenance		19,080	22,019	14,440	20,176
Bank Charges		22,052	18,328	15,840	8,607
Insurance and Fees	22,462	24,890	22,046	21,558	13,023
Miscellaneous	16,265	3,001	3,434		
Depreciation	18,543	25,969	30,463	26,880	17,457
Total Operating Expenses	2,140,234	2,168,442	1,997,988	1,765,038	1,579,611
Operating Income (Loss)	(1,041,556)	(1,284,043)	(1,212,048)	(1,137,914)	(988,990)
NONOPERATING REVENUES:					
State Sources:					
State School Lunch Program	14,727	16,935	15,332	15,638	15,938
Federal Sources:					
National School Lunch Program	588,001	684,311	647,500	645,728	629,057
School Breakfast Program	210,533	253,567	230,894	222,772	206,502
Healthy Hunger Free Kids Program	16,657	19,103	18,584	18,915	19,349
Special Milk Program	2,665	3,934	3,886	4,911	5,009
After School Snack Program	7,046	2,849	1,981		
Food Distribution Program				100,225	
United States Department of Agriculture Commodities	79,550	91,998	101,043		77,989
Interest and Investment Revenue		208			
Miscellaneous Revenue					7,785
Total Nonoperating Revenues	919,179	1,072,905	1,019,220	1,008,189	961,629
Income (Loss) Before Contributions	(122,377)	(211,138)	(192,828)	(129,725)	(27,361)
Board Contribution	182,532	225,000	200,000	-	-
Change in Net Position	60,155	13,862	7,172	(129,725)	(27,361)
Net Position -- July 1	26,535	12,673	5,501	135,226	162,587
Net Position -- June 30	$ 86,690	$ 26,535	$ 12,673	$ 5,501	$ 135,226

Source: District Records

GENERAL INFORMATION ON THE TOWNSHIP

History

The Township of Deptford, County of Gloucester, New Jersey ("Township") was incorporated in 1695. Its area is more than 17 square miles. The Township is located in the County of Gloucester ("County") just southeast of the center of Philadelphia, Pennsylvania. While the Township is still primarily residential, an excellent road system has led to significant commercial and retail development. The Township is considered the retailing hub of South Jersey, with the continued expansion of retail space in and around the Deptford Mall.

One of the most famous historical events associated with the Township occurred on January 9, 1793 when Jean-Pierre Blanchard attempted his first aerial balloon flight in Philadelphia. This forty-year old Frenchman, who had up to that time launched 43 flights in Europe, landed his balloon about one hour later in what is now known as Deptford Township, thus marking America's first manned flight.

Another significant historical event occurred during the Revolutionary War. Colonial soldiers protecting the Delaware River fought a heroic defense against Hessian mercenaries at nearby Fort Mercer. Today, that site is commemorated at the Red Bank Battle Field Park, which now serves as a recreational facility for the residents of the area.

Local Government

The Township's form of government is Council-Manager Plan E under the provisions of the Optional Municipal Charter Law of New Jersey (N.J.S.A. 40:69A-1 et seq.). The seven member governing body ("Council") is elected at-large, and they in turn select the Mayor. The Township Manager, appointed by the Council, serves for an indefinite period and is charged with the day to day operations, including the responsibility of appointing various department heads. The Municipal Clerk, appointed by the Council for a term not to exceed 3 years, serves within the Department of Administration under the direction and supervision of the Manager. All other department heads are appointed by the Manager. All employees in the Township, except those exempted by statute, are covered by New Jersey State Civil Service.

Transportation

An efficient system of highways, railroads, and airlines is readily accessible to those residing and working in the Township. Interstate 295, the North-South Freeway (Route 42), State Highway 55 and the Atlantic City Expressway all reinforce the New Jersey Turnpike System. The highway system is augmented by its close proximity to the Benjamin Franklin Bridge and the Walt Whitman Bridge, which provide access to Philadelphia, and the Commodore Barry Bridge, which provides access to Delaware. The Philadelphia International Airport is only 20 minutes away by automobile.

The Delaware River Port Authority ("DRPA"), the New Jersey-Pennsylvania bi-state authority that operates the Benjamin Franklin, Walt Whitman, Commodore Barry and Betsy Ross bridges, also operates a high speed rail transit system that transports several thousand New Jersey residents into Philadelphia each day. The DRPA operates the transit system as the Port Authority Transit Company ("PATCO"). Township residents who use the PATCO system are able to travel to their destinations in Camden and center city Philadelphia within 20 minutes.

Utilities

Electric power adequate for all industrial needs is provided by the Atlantic City Electric Company and the Public Service Electric and Gas Company. Residents and businesses in the Township receive gas service from South Jersey Gas and Public Service Electric and Gas. The Raritan Stratum, one of the most prolific aquifers in the United States, is readily tapped to provide for any industrial need. Over 95 percent of the residents are served by municipally-owned water and sewerage facilities. Sewage is treated by the Gloucester County Utilities Authority.

Public Safety

Fire services are provided by the Board of Commissioners of Fire District No. 1 in the Township of Deptford (“"Fire District"). The Board of Commissioners consists of five residents who are elected at-large for three year terms by the legal voters of the Township. The Fire District’s annual budget must be approved by the voters. Once the budget is approved, the Commissioners have the authority to establish the tax rate for the Fire District. The budget supports the needs of seven fire houses within the Township. The Fire District has both paid and volunteer firefighters.

The Public Safety Department is under the office of the Township Manager. This department’s day to day operations are administered by a chief of police, who is responsible for approximately 66 other police officers.

Free Public Library

The Township operates its own library system and has an extensive collection of reference text, business journals, and fiction and non-fiction texts. Residents can also enjoy the benefits of the Gloucester County Library System for a small additional fee.

Growth and Development

The Township’s economy has expanded primarily because of its road and transit system. Access to the Deptford Mall and its numerous adjoining shopping centers has improved with new exits on and off Route 42 at Clements Bridge Road and Route 41.

The Deptford Mall ("Mall") is an enclosed shopping center with 1.2 million square feet of retail shopping space. Retail sales per square foot are high compared with other malls in the Greater Delaware Valley. The Mall has only a 1% vacancy rate and is currently investing in modernization programs to increase environmental sustainability and attract new stores in order to maintain a constant interest to perspective consumers. The Mall and surrounding retail stores account for thousands of full and part time jobs.

The Mall is the hub for the development of new retailing stores and restaurants in virtually every direction around the Mall. The Township has many of the major retail chain stores in the Mall’s vicinity including, but not limited to, two Wal-Marts, Target, BJ’s Wholesale, Sam’s Club, Dick’s Sporting Goods and Bed Bath and Beyond. Wendy's, Arby's, McDonalds, and Burger King each have restaurants in the Township. Other restaurants include Applebee's, Olive Garden, Outback Steakhouse, Bonefish Grill, Mission BBQ, Filomena's and many other popular chains. The Township is also home to several catering facilities, traditional diners and family-owned restaurants. The Township has received plans for two (2) new warehouse facilities with a combined one million square-foot capacity.

The Inspira Health Network has broken ground on a 50,000 square-foot medical facility that will house doctors’ and specialists’ offices as well as urgent care services. This facility is planned next to a new movie complex with a restaurant pad site. The Township resident’s needs are also serviced by Nemours DuPont Pediatrics, which is a pediatric specialty, surgical and therapy facility.

Marriott Residence Inn, Marriott Fairfield Inn and Courtyard by Marriot each have locations in the Township. In 2020 a new hotel, Hampton Inn and Suites Deptford, was completed and opened for business.

In 2014, Gloucester County Community College, located in Deptford Township, officially entered into a partnership with Rowan University becoming Rowan College at Gloucester County. The partnership has expanded the college's offerings and improved ease of transfer to Rowan University to complete a four (4) year degree program. Due to the success of the partnership, the college has been developing plans to add additional facilities to the campus to expand the education and medical programs offered as well as facilities to address the needs of a growing student population. Work has been completed on a new roadway to access to two (2) proposed buildings. Rowan Medicine will be a 56,000 square-foot medical building that will service the community while providing student hands-in instruction as part of the health sciences program. The second building will be a 15,000 square-foot building that house the Workforce Development Center for the County of Gloucester.

Residential building and rehabilitation is strong in the Township with several 30 homes or larger developments in various stages of approval. Residents continue to invest in upgrading and maintaining their homes in the Township.

Master Plan

In 2017, the Township completed a comprehensive overhaul of the master plan that was adopted in 2007. The master plan revised land use planning policy in a number of areas including expansion of open space and recreational opportunities, senior citizen housing, the feasibility of creating mixed-use centers, residential densities, revitalization of aging neighborhoods, improving vehicular and pedestrian circulation, and compliance with state regulations regarding affordable housing. Now that the Master Plan has been completed, the Township Council and Planning Board are working on revising the Housing Element and Fair Share Plan and Unified Development Ordinance to eliminate inconsistencies.

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Deptford Township Municipal Utilities Authority

The Township entered into a debt service agreement with the Deptford Municipal Utilities Authority ("Authority") on March 1, 1973. This agreement obligates the Township to advance payment for any debt service deficiency of the Authority. The Authority is obligated, by the agreement, to repay to the Township all advances paid on their behalf, upon the financial ability to do so. At January 31, 2019, the Authority had $9,918,214.72 in outstanding debt covered by this agreement.

The following is a summary of the financial operations of the Authority for the last two years:

	Year Ended January 31, 2019	Restated 2018
Total Operating Revenues	$11,714,540.55	$10,964,580.54
Total Operating Expenses	10,318,726.97	10,126,256.12
Operating Income	1,395,813.58	838,324.42
Total Non-operating Revenue (Expenses)	(305,881.08)	(470,030.61)
Change in Net Position, Before Contributions	1,089,932.50	368,293.81
Capital Contributions	130,355.00	240,035.00
Change in Net Position	1,220,287.50	608,328.81
Net Position February 1	29,481,280.10	28,872,951.29
Net Position January 31	$30,701,567.60	$29,481,280.10

Population (1)

2010 Federal Census	30,561
2000 Federal Census	26,763
1990 Federal Census	24,137
1980 Federal Census	23,473
1970 Federal Census	24,232

Selected Census 2016 Data for the Township (1)

Median household income	$65,584
Median family income	$79,149
Per capita income	$32,150

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

Labor Force(1)

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

	2019	2018	2017	2016	2015
Township					
Labor Force	15,575	15,403	15,817	15,725	15,675
Employment	14,945	14,685	15,004	14,886	14,653
Unemployment	630	718	813	839	1,022
Unemployment Rate	4.0%	4.7%	5.1%	5.3%	6.5%
County					
Labor Force	149,747	147,928	151,568	150,906	149,930
Employment	144,238	141,729	144,412	143,281	140,845
Unemployment	5,509	6,199	7,156	7,625	9,085
Unemployment Rate	3.7%	4.2%	4.7%	5.1%	6.1%
State					
Labor Force	4,493,100	4,432,500	4,518,800	4,530,800	4,537,200
Employment	4,333,300	4,250,800	4,309,700	4,305,500	4,274,700
Unemployment	159,800	181,700	209,100	225,300	262,500
Unemployment Rate	3.6%	4.1%	4.6%	5.0%	5.8%

TEN LARGEST EMPLOYERS (2)

Company	Nature of Business	Number of Employees
Deptford Mall	Retail Shopping	2,000
Deptford Board of Education	Education	671
Gloucester County Special Services School	Education	575
Wal-Mart #3422	Retail Shopping	550
Wal-Mart #5476	Retail Shopping	520
Rowan College at Gloucester County	Education	325
Innova Health and Rehabilitation	Healthcare	250
Home Depot	Home Improvement Store	193
Gloucester County Vocational-Technical School	Education	168
B.J.'s	Wholesale Shopping	150

Building Permits Issued (3)

Year	Number of Permits Issued	Value of Construction
2020 (4)	474	$6,738,990.00
2019	1,710	61,691,325.00
2018	1,782	27,621,999.00
2017	1,947	51,509,528.75
2016	1,985	34,723,269.16
2015	1,800	56,802,902.95

(1) Source: New Jersey Department of Labor
(2) Source: Township officials
(3) Source: Township Construction Official
(4) As of May 15, 2020

CERTAIN TAX INFORMATION

TEN LARGEST TAXPAYERS (1)

Name of Taxpayer	Nature of Business	2020 Assessed Valuation
Deptford Mall	Retail	$161,620,700
BRE RC Deptford NJ LLC	Retail	44,381,900
Longfish Holdings LLC	Retail	36,200,000
Merion Locust Grove LP	Apartments	26,317,200
Wal-Mart	Retail	21,300,000
Narraticon Spe LLC & D&A LLC	Apartments	19,625,300
Almonesson Associates II LLC	Retail	18,000,000
Macys East Inc.	Retail	17,687,300
Inverness Apartments LLC	Apartments	17,256,200
MS Portfolio LLC c/o Macerich Co	Retail	16,330,100

CURRENT TAX COLLECTIONS(2)

		Current Collection		Outstanding Dec. 31	
Year	Total Levy	Amount	Percent	Amount	Percent
2019(3)	$93,188,352	$91,586,150	98.28%	$1,602,202	1.72%
2018	90,834,356	88,872,452	97.84	1,506,152	1.66
2017	88,141,620	86,314,782	97.93	1,397,463	1.59
2016	86,735,241	84,884,719	97.87	1,348,498	1.55
2015	84,040,950	81,895,394	97.45	1,332,953	1.59

DELINQUENT TAXES(2)

Year	Outstanding Jan. 1	Added	Collected Amount	Collected Percent	Transfer to Liens	Other Credits	Outstanding Dec. 31
2019(3)	$1,571,965	$54,303	$1,610,020	99.00%	$10,738	$821	$4,688
2018	1,419,891	37,355	1,339,216	91.90	52,009	209	65,812
2017	1,380,337	11,250	1,333,039	95.79	28,694	7,426	22,428
2016	1,351,553	32,957	1,289,679	93.15	62,547	445	31,839
2015	1,674,993	18,250	1,548,267	91.44	126,324	51	18,601

(1) County of Gloucester, NJ website
(2) Source: Annual Reports of Audit, unless otherwise indicated
(3) Information from Annual Compiled Financial Statement

TAX TITLE LIENS(1)

Year	Balance Jan. 1	Added by Sales & Transfers	Collections	Other Credits	Balance Dec. 31
2019 (2)	$792,736	$198,364	$45,783	---	$945,316
2018	971,048	304,543	161,496	$321,359	792,736
2017	1,251,705	246,433	28,048	499,042	971,048
2016	1,571,505	387,055	396,011	310,844	1,251,705
2015	1,256,666	448,577	133,601	137	1,571,505

FORECLOSED PROPERTY (1)(3)

Year	Balance Jan. 1	Added by Transfer	Adjustment to Assessed Valuation	Sale of Property	Loss on Sale of Property	Balance Dec. 31
2019 (2)	$4,116,600	---	---	$18,150	$42,750	$4,055,700
2018	2,892,000	$323,488	$930,112	6,600	22,400	4,116,600
2017	1,570,600	501,811	832,889	7,000	6,300	2,892,000
2016	1,051,400	308,350	282,750	47,551	24,349	1,570,600
2015	1,051,400	---	---	---	---	1,051,400

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (4)

		Tax Rate (5)				
Year	Net Valuation Taxable	Total	County	District School	Fire District	Municipal
2019	$2,816,861,238	$3.293	$.711	$1.575	$.155	$.852
2018	2,812,813,930	3.219	.706	1.518	.154	.841
2017	2,796,637,101	3.133	.671	1.497	.155	.810
2016	2,797,249,493	3.069	.638	1.467	.155	.809
2015	2,807,374,596	2.974	.633	1.422	.154	.765

RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA (6)

Year	Real Property Assessed Valuation	Percentage of True Value	True Value	True Value Per Capita(7)
2020	$2,823,774,200	98.05%	$2,879,932,891	$94,236
2019	2,810,853,700	96.31	2,918,548,126	95,499
2018	2,806,888,800	96.60	2,905,681,988	95,078
2017	2,790,465,100	100.31	2,781,841,392	91,026
2016	2,791,165,100	103.91	2,686,137,138	87,894

(1) Source: Annual Reports of Audit, unless otherwise indicated
(2) Information from Annual Compiled Financial Statement
(3) 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.
(4) Source: County Board of Taxation
(5) Per $100 of assessed valuation
(6) State of New Jersey, Department of Treasury, Division of Taxation
(7) Based on Census 2010 of 30,561

REAL PROPERTY CLASSIFICATION (1)

Year	**Assessed Value of Land and Improvements**	**Vacant Land**	**Residential**	**Commercial**	**Industrial**	**Apartment**	**Farm**
2019	$2,810,853,700	$50,181,700	$1,861,417,900	$772,313,500	$17,990,900	$101,531,200	$7,418,500
2018	2,806,888,800	51,502,300	1,852,721,000	776,043,900	17,683,300	101,531,200	7,407,100
2017	2,790,465,100	52,731,900	1,842,888,000	768,412,600	17,394,700	101,531,200	7,506,700
2016	2,791,165,100	58,007,100	1,831,117,500	773,426,700	18,002,700	102,577,000	8,034,100
2015	2,801,276,400	59,768,000	1,820,706,600	791,494,800	18,332,600	102,577,000	8,397,400

(1) Source: County Tax Assessor

TOWNSHIP OF DEPTFORD

STATEMENT OF INDEBTEDNESS(1)

The following table summarizes the direct debt of the Township of Deptford as of December 31, 2019 in accordance with the requirements of the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-2 et. seq.). The gross debt is comprised of short and long-term debt issued, including General, and debt of the Township of Deptford School District. Deductions from gross debt to arrive at net debt include deductible school debt. The resulting net debt of $21,019,646 represents .727% of the average of equalized valuations for the Township for the last three years, within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued			Gross	Deductions School	Net
	Bonds	Notes	Loans	Debt	District	Debt
General	$14,905,000	$5,877,650	$236,996	$21,019,646		$21,019,646
School District	3,840,000			3,840,000	$3,840,000	
	$18,745,000	$5,877,650	$236,996	$24,859,646	$3,840,000	$21,019,646

(1) As of December 31, 2019

Source: Township Auditor

DEBT RATIOS AND VALUATIONS(1)(2)

Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019	$2,889,955,658
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019	0.727%
2020 Net Valuation Taxable	$2,833,456,976
2020 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	$2,886,150,967
Gross Debt (3):	
As a percentage of 2020 Net Valuation Taxable	0.88%
As a percentage of 2020 Equalized Valuations	0.86%
Net Debt (3):	
As a percentage of 2020 Net Valuation Taxable	0.74%
As a percentage of 2020 Equalized Valuations	0.73%
Gross Debt Per Capita (4)	$813
Net Debt Per Capita (4)	$688

TOWNSHIP BORROWING CAPACITY(1)(2)

3.5% of Averaged (2017-19) Equalized Valuation of Real Property including Improvements ($2,889,955,658)	$101,148,448
Net Debt	21,019,646
Remaining Borrowing Capacity	$80,128,802

LOCAL BOARD OF EDUCATION BORROWING CAPACITY(1)(2)

4% of Averaged (2017-19) Equalized Valuation of Real Property including Improvements ($2,889,955,658)	$115,598,226
Local School Debt	3,840,000
Remaining Borrowing Capacity	$111,758,226

(1) As of December 31, 2019
(2) Source: Township Auditor
(3) Excluding overlapping debt
(4) Based on Federal 2010 Census of 30,561

TOWNSHIP OF DEPTFORD
OVERLAPPING DEBT
AS OF DECEMBER 31, 2019

	DEBT ISSUED						
	Debt Outstanding	Deduction		Net Debt Outstanding	Net Debt Outstanding Allocated to the Issuer		**Debt Auth. but not Issued**
County of Gloucester(1):							
General	$ 238,747,000	$ 13,868,446	(2)	$ 224,878,554	$20,756,291	(4)	
Bonds Issued by Other Public Bodies Guaranteed by the County	192,032,966	192,032,966	(3)	-			
	$ 430,779,966	$ 205,901,412		$ 224,878,554	$20,756,291		$ -

(1) Source: County's Annual Debt Statement.
(2) Includes Reserve for Payment of Debt and 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 2019 Net Valuation on which County taxes are apportioned, which is 9.23%.

APPENDIX B

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

FISCAL YEAR 2019

BASIC FINANCIAL STATEMENTS

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

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 Township of Deptford School District, in the County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2019, 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

601 White Horse Road | Voorhees, NJ 08043 | P 856.435.6200 | F 856.435.0440 | www.bowmanllp.com

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 Township of Deptford School District, in the County of Gloucester, State of New Jersey, as of June 30, 2019, 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 Township of Deptford School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019, includes certain required supplementary information and other information, that is not included with this presentation of the basic financial statements

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ Glen J. Walton
Certified Public Accountant
Public School Accountant
No. 20CS0020500

Voorhees, New Jersey
December 20, 2019

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 1,319,044	$ 119,489	$ 1,438,533
Receivables, net (Note 4)	1,492,351	64,667	1,557,018
Internal Balances	189,987	(189,987)	
Inventory		15,054	15,054
Restricted Assets:			
Restricted Cash and Cash Equivalents	9,269		9,269
Capital Reserve Account - Cash	1,159,338		1,159,338
Capital Assets, net (Note 6)	24,078,034	110,426	24,188,460
Total Assets	28,248,023	119,649	28,367,672
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pension (Note 8)	8,497,301		8,497,301
LIABILITIES:			
Accounts Payable			
Related to Pensions	1,331,167		1,331,167
Other	1,279		1,279
Payable to State Government	1,682		1,682
Unearned Revenue	395,446		395,446
Accrued Interest Payable	12,800		12,800
Noncurrent Liabilities (Note 7):			
Due within One Year	1,651,004		1,651,004
Due beyond One Year	32,073,393	32,959	32,106,352
Total Liabilities	35,466,771	32,959	35,499,730
DEFERRED INFLOW OF RESOURCES:			
Related to Pension (Note 8)	10,538,470		10,538,470
NET POSITION:			
Net Investment in Capital Assets	20,059,194	110,426	20,169,620
Restricted for:			
Debt Service	9,269		9,269
Capital Projects	1,159,338		1,159,338
Other Purposes	3,067,170		3,067,170
Unrestricted (Deficit)	(33,554,888)	(23,736)	(33,578,624)
Total Net Position (Deficit)	$ (9,259,917)	$ 86,690	$ (9,173,227)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:						
Instruction:						
Regular	$ 23,134,604		$ 700,696	$ (22,433,908)		$ (22,433,908)
Special Education	4,775,863	$ 387,304	552,208	(3,836,351)		(3,836,351)
Other Special Instruction	2,219,589			(2,219,589)		(2,219,589)
Support Services:						
Tuition	6,294,288		1,256,112	(5,038,176)		(5,038,176)
Student and Instruction Related Services	7,337,191		68,001	(7,269,190)		(7,269,190)
General Administrative Services	869,150			(869,150)		(869,150)
School Administrative Services	2,505,491			(2,505,491)		(2,505,491)
Central Services	534,454			(534,454)		(534,454)
Administrative Information Technology	473,243			(473,243)		(473,243)
Plant Operations and Maintenance	5,817,965			(5,817,965)		(5,817,965)
Pupil Transportation	3,641,837			(3,641,837)		(3,641,837)
Unallocated Benefits	37,502,533		14,866,692	(22,635,841)		(22,635,841)
Special School	37,743			(37,743)		(37,743)
Transfer to Charter School	219,283			(219,283)		(219,283)
Interest on Long-Term Debt	86,051			(86,051)		(86,051)
Total Governmental Activities	95,449,286	387,304	17,443,709	(77,618,273)	-	(77,618,273)
Business-Type Activities:						
Food Service	1,667,155	560,581	919,179		$ (187,395)	(187,395)
Childcare Program	473,079	538,097			65,018	65,018
Total Business-Type Activities	2,140,234	1,098,678	919,179	-	(122,377)	(122,377)
Total Government	$ 97,589,520	$ 1,485,982	$ 18,362,888	(77,618,273)	(122,377)	(77,740,650)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				41,327,967		41,327,967
Taxes Levied for Debt Service				1,343,700		1,343,700
Federal and State Aid Not Restricted				36,354,510		36,354,510
Interest and Investment Earnings				119,928	-	119,928
Miscellaneous Income				161,177		161,177
Loss on disposal of capital asset				(152,767)		(152,767)
Transfer				(182,532)	182,532	-
Total General Revenues, Loss on Disposal of Capital Assets and Transfers				78,971,983	182,532	79,154,515
Change in Net Position				1,353,710	60,155	1,413,865
Net Position (Deficit) -- July 1				(10,613,627)	26,535	(10,587,092)
Net Position (Deficit) -- June 30				$ (9,259,917)	$ 86,690	$ (9,173,227)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	$ 1,085,192	$ 233,852	$ 9,269	$ 1,328,313
Cash - Capital Reserve Account	1,159,338			1,159,338
Accounts Receivable				
State	655,997			655,997
Federal		677,320		677,320
Other	159,034			159,034
Interfunds Receivable	779,744			779,744
Total Assets	$ 3,839,305	$ 911,172	$ 9,269	$ 4,759,746
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	$ 1,001	$ 278		$ 1,279
Interfunds Payable		589,757		589,757
Payable to State Government		1,682		1,682
Unearned Revenue		395,446		395,446
Total Liabilities	1,001	987,163	-	988,164
Fund Balances:				
Restricted:				
Capital Reserve Account	1,159,338			1,159,338
Excess Surplus-- Designated for Subsequents Year's Expenditures	1,202,869			1,202,869
Excess Surplus	1,864,301			1,864,301
Debt Service			$ 9,269	9,269
Assigned:				
Other Purposes	60,308			60,308
Designated for Subsequent Year's Expenditures	163,542			163,542
Unassigned (Deficit)	(612,054)	(75,991)		(688,045)
Total Fund Balances (Deficit)	3,838,304	(75,991)	9,269	3,771,582
Total Liabilities and Fund Balances	$ 3,839,305	$ 911,172	$ 9,269	

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 $67,822,344, and the accumulated depreciation is $43,744,310.	24,078,034
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.	(5,560,492)
Accrued interest payable	(12,800)
Net Pension Liability	(28,163,905)
Accounts Payable related to the April 1, 2020 Required PERS pension contribution that is not to be liquidated with current financial resources.	(1,331,167)
Deferred Outflows of Resources - Related to Pensions	8,497,301
Deferred Inflows of Resources - Related to Pensions	(10,538,470)
Net Position of Governmental Activities	$ (9,259,917)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Tax Levy	$ 41,327,967		$ 1,343,700	$ 42,671,667
Tuition Charges	387,304			387,304
Interest	119,928			119,928
Unrestricted Miscellaneous Revenues	161,178			161,178
State Sources	36,271,184	$ 942,920		37,214,104
Federal Sources	83,326	1,774,808		1,858,134
Total Revenues	78,350,887	2,717,728	1,343,700	82,412,315
EXPENDITURES:				
Current:				
Regular Instruction	21,788,179	651,908		22,440,087
Special Education Instruction	4,040,851	513,759		4,554,610
Other Special Instruction	2,104,366			2,104,366
Support Services and Undistributed Costs:				
Tuition	5,125,637	1,168,651		6,294,288
Student and Instruction Related Services	6,896,323	63,266		6,959,589
General Administrative Services	869,150			869,150
School Administrative Services	2,375,427			2,375,427
Central Services	506,710			506,710
Administrative Information Technology	448,677			448,677
Plant Operations and Maintenance	5,603,301			5,603,301
Pupil Transportation	3,641,837			3,641,837
Unallocated Benefits	21,969,969	130,914		22,100,883
Special School	37,743			37,743
Transfer to Charter School	219,283			219,283
Debt Service:				
Principal			1,230,000	1,230,000
Interest and Other Charges			113,700	113,700
Capital Outlay	457,484			457,484
Total Expenditures	76,084,937	2,528,498	1,343,700	79,957,135
Excess (Deficiency) of Revenues over Expenditures	2,265,950	189,230		2,455,180
OTHER FINANCING SOURCES (USES):				
Operating Transfer Out to Food Service Fund - Transfer to Cover Deficit	(182,532)			(182,532)
Total Other Financing Sources and Uses	(182,532)	-	-	(182,532)
Net Change in Fund Balances	2,083,418	189,230	-	2,272,648
Fund Balance (Deficit) -- July 1	1,754,886	(265,221)	9,269	1,498,934
Fund Balance (Deficit) -- June 30	$ 3,838,304	$ (75,991)	$ 9,269	$ 3,771,582

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

TOWNSHIP OF DEPTFORD 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, 2019

Total Net Change in Fund Balances - Governmental Funds		$ 2,272,648
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	$ (2,396,251)	
Capital Outlays	457,484	
		(1,938,767)
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.		1,230,000
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. (+)		(3,325)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of the long-term debt related items.		
Amortization of Bond Premiums		30,974
The net effect of disposition of capital assets		(152,767)
Repayment of capital leases 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.		92,140
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 (+).		498,475
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		(675,668)
Change in Net Position of Governmental Activities		$ 1,353,710

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2019

	Business-Type Activities - Enterprise Funds		
	Food Service	Child Care Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 32,918	$ 86,571	$ 119,489
Accounts Receivable:			
State	820		820
Federal	47,253		47,253
Other	16,594		16,594
Inventories	15,054		15,054
Total Current Assets	112,639	86,571	199,210
Noncurrent Assets:			
Equipment	661,159		661,159
Less Accumulated Depreciation	(550,733)		(550,733)
Total Noncurrent Assets	110,426	-	110,426
Total Assets	223,065	86,571	309,636
LIABILITIES:			
Current Liabilities:			
Interfund Payable	189,987		189,987
Total Current Liabilities	189,987	-	189,987
Noncurrent Liabilities:			
Compensated Absences Payable	32,959		32,959
Total Liabilities	222,946	-	222,946
NET POSITION:			
Net Investment In Capital Assets	110,426		110,426
Unrestricted (Deficit)	(110,307)	86,571	(23,736)
Total Net Position	$ 119	$ 86,571	$ 86,690

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities - Enterprise Fund		
	Food Service	Child Care Program	Total
OPERATING REVENUES:			
Charges for Services:			
Daily Sales - Reimbursable Programs	$ 333,794		$ 333,794
Daily Sales - Non-Reimbursable Programs	192,355		192,355
Special Functions	19,504		19,504
Community Service Activities		$ 536,263	536,263
Miscellaneous	14,928	1,834	16,762
Total Operating Revenues	560,581	538,097	1,098,678
OPERATING EXPENSES:			
Salaries	702,040	362,185	1,064,225
Employee Benefits	170,423	59,340	229,763
Supplies and Materials	75,295	30,825	106,120
Cost of Sales - Reimburseable Programs	582,869		582,869
Cost of Sales - Non-Reimburseable Programs	92,350		92,350
Other Purchased Services		4,464	4,464
Office and Uniform Expense	3,173		3,173
Insurance and Fees	22,462		22,462
Depreciation	18,543		18,543
Miscellaneous		16,265	16,265
Total Operating Expenses	1,667,155	473,079	2,140,234
Operating Income (Loss)	(1,106,574)	65,018	(1,041,556)
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	14,727		14,727
Federal Sources:			
National School Lunch Program	588,001		588,001
School Breakfast Program	210,533		210,533
Healthy Hunger Free Kids Program	16,657		16,657
Special Milk Program	2,665		2,665
After School Snack Program	7,046		7,046
United States Department of Agriculture Commodities	79,550		79,550
Total Nonoperating Revenues	919,179	-	919,179
Income (Loss) Before Contributions	(187,395)	65,018	(122,377)
Board Contribution	182,532		182,532
Change in Net Position	(4,863)	65,018	60,155
Net Position -- July 1	4,982	21,553	26,535
Net Position -- June 30	$ 119	$ 86,571	$ 86,690

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds		
	Food Service	Child Care Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	$ 560,581	$ 538,097	$ 1,098,678
Payments to Employees	(701,875)	(362,185)	(1,064,060)
Payments for Employee Benefits	(170,423)	(59,340)	(229,763)
Payments to Suppliers	(917,769)	(51,554)	(969,323)
Net Cash Provided by (used for) Operating Activities	(1,229,486)	65,018	(1,164,468)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Cash Received from State and Federal Reimbursements	996,674		996,674
Transfers from Other Funds	182,532		182,532
Net Cash Provided by (used for) Non-Capital Financing Activities	1,179,206	-	1,179,206
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends			
Net Cash Provided by (used for) Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(50,280)	65,018	14,738
Cash and Cash Equivalents -- July 1	83,198	21,553	104,751
Cash and Cash Equivalents -- June 30	$ 32,918	$ 86,571	$ 119,489
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (1,106,574)	$ 65,018	$ (1,041,556)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	18,543		18,543
Federal Commodities	79,550		79,550
(Increase) Decrease in Inventories	2,460		2,460
(Increase) Decrease in Other Current Receivables	90,000		90,000
Increase (Decrease) in Other Current Liabilities	(313,630)		(313,630)
Increase (Decrease) in Compensated Absences Payable	165		165
Total Adjustments	(122,912)	-	(122,912)
Net Cash Provided by (used for) Operating Activities	$ (1,229,486)	$ 65,018	$ (1,164,468)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019

	Private Purpose Trust Funds		Agency Funds	
	New Jersey Unemployment Compensation Trust	Scholarship Trust	Student Activity	Payroll
ASSETS:				
Cash and Cash Equivalents	$ 724,244	$ 75,608	$ 257,195	$ 1,780,890
Total Assets	724,244	75,608	$ 257,195	$ 1,780,890
LIABILITIES:				
Net Payroll - Summer Salary				$ 1,384,253
Payable to Student Groups			$ 257,195	
Total Liabilities			$ 257,195	$ 1,384,253
NET POSITION:				
Held in Trust for Unemployment Claims and Scholarships	$ 724,244	$ 75,608		

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	Private-Purpsoes Trust Funds	
	New Jersey Unemployment Compensation Trust	Scholarship Trust
ADDITIONS:		
Contributions:		
Employee Withholdings	$ 87,326	
Gifts and Contributions		$ 9,822
Total Contributions	87,326	9,822
Investment Earnings:		
Interest on Investments	210	
Net Investment Earnings	210	-
Total Additions	87,536	9,822
DEDUCTIONS:		
Unemployment Compensation Insurance Claims	59,068	
Scholarships Awarded		6,500
Total Deductions	59,068	6,500
Change in Net Position	28,468	3,322
Net Position -- July 1	695,776	72,286
Net Position -- June 30	$ 724,244	$ 75,608

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Deptford 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 Reporting Entity

The School District is a Type II district located in the County of Gloucester, 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 Kindergarten through 12 at the School District’s eight schools. The School District has an approximate enrollment at June 30, 2019 of 4,138.

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. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

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.

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

Component Units (Cont'd)

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

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

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

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

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

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

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

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

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

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

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

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including 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, or 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 expenditure for principal and interest.

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

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

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include salaries, benefits, administrative expenses, and claims paid. 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.

Child Care Fund – This fund accounts for the financial activity related to providing day care services for School District students before school and after school.

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 Trust 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.

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

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

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

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 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 modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payment.

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 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 in 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, 2019. The School District had no prepaid expenses for the fiscal year ended June 30, 2019.

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 in 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 or accounts payable.

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 maintains a capitalization threshold of $2,000. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Site Improvements	10-20 years	N/A
Buildings and Improvements	20-50 years	N/A
Equipment	5-15 years	15 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2019 and 2018 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. As of June 30, 2019, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

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 are 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.

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.

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

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

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

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

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

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

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.

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

Fund Balance (Cont'd)

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

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

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

Interfund Activity

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

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 Accounting Pronouncements

The GASB has issued the following Statements that will become effective for the School District for fiscal years ending after June 30, 2019:

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.

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

Impact of Recently Issued Accounting Principles (Cont'd)

Recently Issued Accounting Pronouncements (Cont'd)

The GASB has issued the following Statements that will become effective for the School District for fiscal years ending after June 30, 2019:

Statement No. 84, *Fiduciary Activities (Cont'd)*. 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.

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 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, 2019, the School District's bank balance of $7,099,105 was exposed to custodial credit risk as follows:

Insured	$ 250,000
Insured under GUDPA	3,963,454
Uninsured/Uncollateralized	2,885,651
	$ 7,099,105

Note 2: CASH AND CASH EQUIVALENTS (CONT'D)

New Jersey Cash Management Fund - During the fiscal year, the School District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2019, the School District's deposits with the New Jersey Cash Management Fund were $1,634,1177.

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of $1 on October 3, 2006 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:23-14.1(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, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018		$ 408,088
Increased by:		
Transfer per June 11, 2019 Resolution	$ 750,000	
Interest Earnings	1,250	
		751,250
Ending Balance, June 30, 2019		$ 1,159,338

The LRFP balance of local support costs of uncompleted projects at June 30, 2019 is $3,784,238.

Note 4: ACCOUNTS RECEIVABLES

Accounts receivable at June 30, 2019 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. All receivables are considered collectible.

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

	Governmental Funds			Proprietary Fund		
	General Fund	Special Revenue Fund	Total Governmental Activities	Food Service Fund	Total Business-Type Activities	Total
Federal Awards		$ 677,320	$ 677,320	$ 47,253	$ 47,253	$ 724,573
State Awards	$ 655,997		655,997	820	820	656,817
Other	159,034		159,034	16,594	16,594	175,628
Total	$ 815,031	$ 677,320	$ 1,492,351	$ 64,667	$ 64,667	$ 1,557,018

Note 5: INVENTORY

Inventory recorded at June 30, 2019 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	$ 8,565
Supplies	6,489
	$ 15,054

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance July 30, 2019
Governmental Activities				
Capital Assets, not being Depreciated				
Land	$ 210,136			$ 210,136
Total Capital Assets, not being Depreciated	210,136			210,136
Capital Assets, being Depreciated				
Site Improvements	1,510,494			1,510,494
Building and Improvements	50,131,508		$ (299,150)	49,832,358
Equipment	16,519,044	$ 457,484	(707,172)	16,269,356
Total Capital Assets, being Depreciated	68,161,046	457,484	$(1,006,322)	67,612,208
Less Accumulated Depreciation				
Land Improvements	(847,292)	(74,495)		(921,787)
Building and Improvements	(31,332,092)	(1,501,162)	146,383	(32,686,871)
Equipment	(10,022,230)	(820,594)	707,172	(10,135,652)
Total Accumulated Depreciation	(42,201,614)	(2,396,251)	853,555	(43,744,310)
Total Capital Assets, being Depreciated, Net	25,959,432	(1,938,767)	(152,767)	23,867,898
Governmental Activities Capital Assets, Net	$ 26,169,568	$ (1,938,767)	$ (152,767)	$ 24,078,034
Business-Type Activities:				
Capital Assets, being Depreciated				
Equipment	$ 661,159			$ 661,159
Less Accumulated Depreciation	(532,190)	$ (18,543)		(550,733)
Total Business-Type Activities Capital Assets, Net	$ 128,969	$ (18,543)		$ 110,426

Note 6: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:	
Instruction	$ 1,529,469
Student & Instruction Related Services	377,602
School Administrative Services	182,376
Plant Operations and Maintenance	306,804
Total Depreciation – Governmental Activities	$ 2,396,251
Business-Type Activities:	
Food Service	$ 18,543
Total Depreciation – Business-Type Activities	$ 18,543

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in long-term obligations for governmental activities:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 5,070,000		$ (1,230,000)	$ 3,840,000	$ 1,265,000
Unamortized Cost of Premium on Bonds	116,154		(30,974)	85,180	85,180
Other Liabilities:					
Net Pension Liability	34,707,789	$ 16,231,379	(22,775,263)	28,163,905	
Obligations under Capital Lease	185,800		(92,140)	93,660	93,660
Compensated Absences	2,040,127	64,499	562,974	1,541,652	292,344
Total Other Liabilities	36,933,716	16,295,878	(23,430,377)	29,799,217	386,004
Governmental Activities Long-term Liabilities	$ 42,119,870	$ 16,295,678	$ (24,691,351)	$ 33,724,397	$ 1,651,004

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

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

During the fiscal year ended June 30, 2019, the following changes occurred in long-term obligations for business-type activities:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Business-Type Activities:					
Compensated Absences	$ 32,794	$ 7,195	$ (7,030)	$ 32,959	$ -

Compensated absences are liquidated by the food service 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.

Date of Issue	Amount of Issue	Maturities	Interest Rate	Amount
2016	$ 7,490,000	2020 to 2022	2.0-3.0%	$ 3,840,000

Principal and interest due on bonds outstanding is as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,265,000	$ 76,800	$ 1,341,800
2021	1,290,000	51,500	1,341,500
2022	1,285,000	25,700	1,310,700
	$ 3,840,000	$ 154,000	$ 3,994,000

Bonds Authorized But Not Issued - As of June 30, 2019, the School District had no authorizations to issue additional bonded debt.

Obligation under Capital Lease - The School District is leasing bus equipment totaling $747,549 under a capital lease. The capital lease is for a terms of three to five years. Capital leases are depreciated in a manner consistent with the School District's deprecation policy for owned assets. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2019.

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	$ 93,660	$ 1,545	$ 95,205
	$ 93,660	$ 1,545	$ 95,205

Note 7: <u>LONG-TERM LIABILITIES (CONT'D)</u>

<u>Compensated Absences</u> - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to Note 12 for a description of the School District's Policy.

<u>Net Pension Liability</u> - 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 8: <u>PENSION PLANS</u>

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
https://www.nj.gov/treasury/pensions/financial-reports.shtml

<u>General Information about the Pension Plans</u>

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.

Note 8: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Plan Descriptions (Cont'd)

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.

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.

Note 8: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

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.

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 7.50% in State fiscal year 2019. 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 2018, 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.*

Note 8: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Contributions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 14.41% 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, 2019 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, 2018, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2019 was $4,239,219, and was paid by April 1, 2019. School District employee contributions to the Plan during the fiscal year ended June 30, 2019 were $2,232,340.

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 7.50% in State fiscal year 2019. 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.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 14.44% 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, 2018, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2019 was $1,422,788, and was paid by April 1, 2019. School District employee contributions to the Plan during the fiscal year ended June 30, 2019 were $696,171.

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, 2019, employee contributions totaled $90,230.37, and the School District recognized pension expense, which equaled the required contributions, of $49,252.28. There were no forfeitures during the fiscal year.

Note 8: PENSION PLANS (CONT'D)

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, 2019, 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 Districts Proportionate Share of Net Pension Liability	$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	178,407,427
	$ 178,407,427

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018. For the June 30, 2018 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, 2018, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2018 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.2804361053%, which was an increase of 0.0075602707% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the School District recognized $10,400,529 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, 2018 measurement date.

Public Employees' Retirement System - At June 30, 2019, the School District reported a liability of $28,163,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018. 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, 2018 measurement date, the School District's proportion was 0.1430402146%, which was a decrease of 0.006058617% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the School District recognized pension expense of $2,098,457, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2018 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 (Cont'd) - At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual Experience	$ 537,090	$ 145,222
Changes of Assumptions	4,640,945	9,005,319
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	264,179
Changes in Proportion and Differences Between School District Contributions and Proportionate Share of Contribution	1,988,099	1,123,750
School District Contributions Subsequent to the Measurement Date	1,331,167	-
	$ 8,497,301	$ 10,538,470

$1,331,167, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	PERS
2020	$ 732,657
2021	160,508
2022	(1,779,074)
2023	(1,794,860)
2024	(691,567)
	$ (3,372,336)

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) - 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	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
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
June 30, 2018	-	5.63
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
June 30, 2018	-	5.00
Changes in Proportion and Differences between School District Contributions and Proportionate Share		
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
June 30, 2018	5.63	5.63

Note 8: PENSION PLANS (CONT'D)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF	PERS
Inflation	2.25%	2.25%
Salary Increases:		
Through 2026	1.55% - 4.15% Based on Yrs of Service	1.65% - 4.15% Based on Age
Thereafter	2.00% - 5.45% Based on Yrs of Service	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 mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

For PERS, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. 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, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 8: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd) - Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2018 were 4.86% and 5.66% 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 3.87% as of June 30, 2018, 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 assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 2040 for TPAF and 2046 for PERS. Therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2040 for TPAF and 2046 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, 2018, the Plan's 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 4.86%, 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 (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
School District's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -
State's Proportionate Share of the Net Pension Liability Associated with the District	210,874,191	178,407,427	151,493,271
	$ 210,874,191	$ 178,407,427	$ 151,493,271

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2018, the Plan's measurement date, calculated using a discount rate of 5.66%, 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 (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
School District's Proportionate Share of the Net Pension Liability	$ 35,412,866	$ 28,163,905	$ 22,082,491

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS' respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF and PERS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at https://www.nj.gov/treasury/pensions/financial-reports.shtml

Note 9: 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 OPEB Plan's Measurement date, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
	362,181

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)

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, 2019 was $146,159,044. 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.

The total Non-Employer OPEB Liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. For the June 30, 2018 measurement date, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the School District was 0.3169733326%, which was an increase of 0.0004341518% from its proportion measured as of June 30, 2017.

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, 2017 used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases –

	TPAF/ABP (1)	PERS (2)	PFRS (2)
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-2006 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-2006 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-2006 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, 2017 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. 100% of all retirees who currently have healthcare coverage were assumed to continue with that coverage. 100% of active members were considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Note 9: 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)

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven 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, 2018 was 3.87%. 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.

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, 2018		$ 169,791,116
Changes for the Year:		
Service Cost	$ 6,289,193	
Interest Cost	6,236,729	
Difference Between Expected and Actual Experience	(15,612,346)	
Changes in Assumptions	(16,772,482)	
Gross Benefit Payments	(3,908,241)	
Member Contributions	135,075	
Net Changes		(23,632,072)
Balance at June 30, 2019		$ 146,159,044

There were no changes in benefit terms between the June 30, 2017 measurement date and the June 30, 2018 measurement date.

Differences between expected and actual experience reflect a decrease in liability from June 30, 2017 to June 30, 2018 is due to changes in the census, claims and premiums experience.

Changes of Assumptions reflect a decrease in the liability from June 30, 2017 to June 30, 2018 due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018; and a decrease in the assumed health care cost trend and excise tax assumptions.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)

Changes in the Total Non-Employer OPEB Liability (Cont'd)

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, 2018, associated with the School District, using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used is as follows:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District	$ 172,789,743	$ 146,159,044	$ 124,990,388

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, 2018, 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	$ 120,808,962	$ 146,159,044	$ 179,685,497

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, 2019, the School District recognized $6,755,215 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, 2018 measurement date.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Non-Employer OPEB Liability (Cont'd)

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, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion	$ 233,036	$ 158,563
Difference Between Expected and Actual Experience	-	14,187,999
Changes of Assumptions	-	32,762,297
	$ 233,036	$ 47,108,859

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:

Fiscal Year Ending June 30,	
2020	$ (5,779,102)
2021	(5,779,102)
2022	(5,779,102)
2023	(5,779,102)
2024	(5,779,102)
Thereafter	(17,980,313)
	$ (46,875,823)

Note 10: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2019, 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 $5,332,241, $111,618, $2,313,532, and $4,613, respectively.

Note 11: 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:

Retirement Annuity Consultants	Equitable Life Assurance Society
Lincoln Investment Planning Inc.	Fidelity Investments
Paul Revere Tax Shelter	Valic
American United Life	AIG

Note 12: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2019 the liability for compensated absences reported on the government-wide statement of net position was $1,541,652.

Note 13: INTERFUND BALANCES AND TRANSFERS

Interfunds – The composition of interfund balances as of June 30, 2019 is as follows:

Fund	Interfunds Receivable	Interfunds Payable
General	$ 779,744	
Special Revenue		$ 589,757
Proprietary		189,987
	$ 779,744	$ 779,744

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2020, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 13: INTERFUND BALANCES AND TRANSFERS (CONT'D)

Transfers:

Transfer Out:	Transfer in: Enterprise Fund
General Fund	$ 182,532
Total Transfers	$ 182,532

The principal purpose of the fund transfer made during the fiscal year was to fund operating expenses for the food service fund.

Note 14: 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 15: 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 16: DEFICIT FUND BALANCES

The School District has a deficit fund balance of $612,054 in the general fund and $75,991 in the special revenue fund as of June 30, 2019 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, 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 statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Note 16: DEFICIT FUND BALANCES (CONT'D)

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of $688,045 is less than the June state aid payments.

Note 17: FUND BALANCES

RESTRICTED

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

General Fund

For 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, 2019 is $1,864,301. Additionally, $1,202,869 of excess fund balance generated during 2017-2018 has been restricted and designated for utilization in the 2019-2020 budget.

For Capital Reserve Account - As of June 30, 2019, the balance in the capital reserve account is $1,159,338. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

For Debt Service Reserve - In accordance with N.J.S.A. 18A:7F-41(c)(2), the School District has established a debt service reserve in the amount of $9,269 as of June 30, 2019. These funds were derived from the proceeds from the sale of school district property. The funds are to be used to retire any outstanding debt service obligation of the School District. The debt service reserve is to be liquidated within the lesser of five years from its inception or the remaining term on the obligations. Any remaining balance must be used for tax relief.

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, 2020 $163,542 of general fund balance at June 30, 2019.

Other Purposes - As of June 30, 2019, the School District had $60,308 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Note 17: **FUND BALANCES (CONT'D)**

UNASSIGNED

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

General Fund - As of June 30, 2019, $612,054 of general fund balance (deficit) was unassigned.

Special Revenue Fund - As of June 30, 2019, the fund balance of the special revenue fund was a deficit of $75,991, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in Note 16, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of $75,991 is the same amount as the last state aid payment.

FISCAL YEAR 2018

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

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 Township of Deptford School District, in the County of Gloucester, 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.

601 White Horse Road | Voorhees, NJ 08043 | P 856.435.6200 | F 856.435.0440 | www.bowmanllp.com

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 Township of Deptford School District, in the County of Gloucester, 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 9 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 Township of Deptford School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018, includes certain required supplementary information and other information, that is not included with this presentation of the basic financial statements

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ Glen J. Walton
Certified Public Accountant
Public School Accountant
No. 20CS0020500

Voorhees, New Jersey
February 21, 2019

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 4,012,435	$ 104,751	$ 4,117,186
Receivables, net	1,487,187	311,712	1,798,899
Internal Balances	189,987	(189,987)	
Inventory		17,514	17,514
Restricted Assets:			
Restricted Cash and Cash Equivalents	9,269		9,269
Capital Reserve Account - Cash	408,088		408,088
Capital Assets, net (Note 6)	26,169,568	128,969	26,298,537
Total Assets	32,276,534	372,959	32,649,493
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pension (Note 8)	12,236,792		12,236,792
LIABILITIES:			
Accounts Payable	5,650,214	313,630	5,963,844
Payable to State Government	110,637		110,637
Unearned Revenue	269,969		269,969
Accrued Interest Payable	9,475		9,475
Noncurrent Liabilities (Note 7):			
Due within One Year	1,761,601		1,761,601
Due beyond One Year	40,358,269	32,794	40,391,063
Total Liabilities	48,160,165	346,424	48,506,589
DEFERRED INFLOW OF RESOURCES:			
Related to Pension (Note 8)	6,966,788		6,966,788
NET POSITION:			
Net Investment in Capital Assets	20,797,614	128,969	20,926,583
Restricted for:			
Debt Service	9,269		9,269
Capital Projects	408,088		408,088
Other Purposes	1,850,104		1,850,104
Unrestricted (Deficit)	(33,678,702)	(102,434)	(33,781,136)
Total Net Position (Deficit)	$ (10,613,627)	$ 26,535	$ (10,587,092)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	$ 24,602,322		$ 1,144,561	$ (23,457,761)		$ (23,457,761)
Special Education	4,319,698	$ 584,016	442,205	(3,293,477)		(3,293,477)
Other Special Instruction	1,849,868			(1,849,868)		(1,849,868)
Support Services:						
Tuition	5,380,139		1,101,360	(4,278,779)		(4,278,779)
Student and Instruction Related Services	9,112,463		1,325,473	(7,786,990)		(7,786,990)
General Administrative Services	998,031			(998,031)		(998,031)
School Administrative Services	2,864,260			(2,864,260)		(2,864,260)
Central Services	482,282			(482,282)		(482,282)
Administrative Information Technology	626,999			(626,999)		(626,999)
Plant Operations and Maintenance	5,563,732			(5,563,732)		(5,563,732)
Pupil Transportation	4,211,604			(4,211,604)		(4,211,604)
Unallocated Benefits	39,420,160		16,550,615	(22,869,545)		(22,869,545)
Special School	74,779			(74,779)		(74,779)
Transfer to Charter School	265,233			(265,233)		(265,233)
Interest on Long-Term Debt	104,909			(104,909)		(104,909)
Total Governmental Activities	99,876,479	584,016	20,564,214	(78,728,249)	-	(78,728,249)
Business-Type Activities:						
Food Service	1,915,691	616,700	1,072,697		$ (226,294)	(226,294)
Childcare Program	252,751	267,699			14,948	14,948
Total Business-Type Activities	2,168,442	884,399	1,072,697	-	(211,346)	(211,346)
Total Government	$ 102,044,921	$ 1,468,415	$ 21,636,911	(78,728,249)	(211,346)	(78,939,595)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				40,517,615		40,517,615
Taxes Levied for Debt Service				1,347,900		1,347,900
Federal and State Aid Not Restricted				33,744,191		33,744,191
Interest and Investment Earnings				25,129	208	25,337
Miscellaneous Income				47,786		47,786
Transfer				(225,000)	225,000	-
Total General Revenues and Transfer				75,457,621	225,208	75,682,829
Change in Net Position				(3,270,628)	13,862	(3,256,766)
Net Position (Deficit) -- July 1				(7,342,999)	12,673	(7,330,326)
Net Position (Deficit) -- June 30				$ (10,613,627)	$ 26,535	$ (10,587,092)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$ 4,009,202	$ 3,233		$ 9,269	$ 4,021,704
Cash - Capital Reserve Account	408,088				408,088
Accounts Receivable					
State	540,705				540,705
Federal		668,942			668,942
Other	277,540				277,540
Interfunds Receivable	744,868				744,868
Total Assets	$ 5,980,403	$ 672,175	$ -	$ 9,269	$ 6,661,847
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 4,225,517	$ 1,909			$ 4,227,426
Interfunds Payable		554,881			554,881
Payable to State Government		110,637			110,637
Unearned Revenue		269,969			269,969
Total Liabilities	4,225,517	937,396	-	-	5,162,913
Fund Balances:					
Restricted:					
Capital Reserve Account	408,088				408,088
Excess Surplus-- Designated for Subsequents Year's Expenditures	647,235				647,235
Excess Surplus	1,202,869				1,202,869
Debt Service				9,269	9,269
Assigned:					
Other Purposes	41,768				41,768
Designated for Subsequent Year's Expenditures	125,732				125,732
Unassigned (Deficit)	(670,806)	(265,221)			(936,027)
Total Fund Balances (Deficit)	1,754,886	(265,221)	-	9,269	1,498,934
Total Liabilities and Fund Balances	$ 5,980,403	$ 672,175	$ -	$ 9,269	

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 $68,371,182, and the accumulated depreciation is $42,201,614.	26,169,568
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.	(7,412,081)
Accrued interest payable	(9,475)
Net Pension Liability	(34,707,789)
Accounts Payable related to the April 1, 2019 Required PERS pension contribution that is not to be liquidated with current financial resources.	(1,422,788)
Deferred Outflows of Resources - Related to Pensions	12,236,792
Deferred Inflows of Resources - Related to Pensions	(6,966,788)
Net Position of Governmental Activities	$ (10,613,627)

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

TOWNSHIP OF DEPTFORD 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	$ 40,517,615			$ 1,347,900	$ 41,865,515
Tuition Charges	584,016				584,016
Interest	25,129				25,129
Unrestricted Miscellaneous Revenues	47,786				47,786
State Sources	33,637,183	$ 2,338,389			35,975,572
Federal Sources	107,008	1,850,697			1,957,705
Local Sources		500			500
Total Revenues	74,918,737	4,189,586	-	1,347,900	80,456,223
EXPENDITURES:					
Current:					
Regular Instruction	22,314,635	1,194,637			23,509,272
Special Education Instruction	3,659,531	461,552			4,121,083
Other Special Instruction	1,754,638				1,754,638
Support Services and Undistributed Costs:					
Tuition	4,230,592	1,149,547			5,380,139
Student and Instruction Related Services	7,331,114	1,383,465			8,714,579
General Administrative Services	998,031				998,031
School Administrative Services	2,716,810				2,716,810
Central Services	457,454				457,454
Administrative Information Technology	594,722				594,722
Plant Operations and Maintenance	5,423,279				5,423,279
Pupil Transportation	4,211,604				4,211,604
Unallocated Benefits	20,959,766	183,687			21,143,453
Special School	74,779				74,779
Transfer to Charter School	265,233				265,233
Debt Service:					
Principal				1,210,000	1,210,000
Interest and Other Charges				137,900	137,900
Capital Outlay	974,312				974,312
Total Expenditures	75,966,500	4,372,888	-	1,347,900	81,687,288
Excess (Deficiency) of Revenues over Expenditures	(1,047,763)	(183,302)	-		(1,231,065)
OTHER FINANCING SOURCES (USES):					
Operating Transfer Out to Food Service Fund - Transfer to Cover Deficit	(225,000)				(225,000)
Total Other Financing Sources and Uses	(225,000)	-	-	-	(225,000)
Net Change in Fund Balances	(1,272,763)	(183,302)	-	-	(1,456,065)
Fund Balance (Deficit) -- July 1	3,027,649	(81,919)	-	9,269	2,954,999
Fund Balance (Deficit) -- June 30	$ 1,754,886	$ (265,221)	$ -	$ 9,269	$ 1,498,934

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

TOWNSHIP OF DEPTFORD 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		$ (1,456,065)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	$ (2,401,714)	
Capital Outlays	974,312	
		(1,427,402)
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.		1,210,000
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. (+)		2,017
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of the long-term debt related items.		
Amortization of Bond Premiums		30,974
Repayment of capital leases 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.		153,886
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 (+).		118,041
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		(1,902,079)
Change in Net Position of Governmental Activities		$ (3,270,628)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2018

	Business-Type Activities - Enterprise Funds		
	Food Service	Child Care Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 83,198	$ 21,553	$ 104,751
Accounts Receivable:			
State	3,427		3,427
Federal	201,691		201,691
Other	106,594		106,594
Inventories	17,514		17,514
Total Current Assets	412,424	21,553	433,977
Noncurrent Assets:			
Equipment	661,159		661,159
Less Accumulated Depreciation	(532,190)		(532,190)
Total Noncurrent Assets	128,969	-	128,969
Total Assets	541,393	21,553	562,946
LIABILITIES:			
Current Liabilities:			
Interfund Payable	189,987		189,987
Accounts Payable	313,630		313,630
Total Current Liabilities	503,617	-	503,617
Noncurrent Liabilities:			
Compensated Absences Payable	32,794		32,794
Total Liabilities	536,411	-	536,411
NET POSITION:			
Net Investment In Capital Assets	128,969		128,969
Unrestricted (Deficit)	(123,987)	21,553	(102,434)
Total Net Position	$ 4,982	$ 21,553	$ 26,535

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

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

	Business-Type Activities - Enterprise Fund		
	Food Service	Child Care Program	Total
OPERATING REVENUES:			
Charges for Services:			
Daily Sales - Reimbursable Programs	$ 404,651		$ 404,651
Daily Sales - Non-Reimbursable Programs	183,570		183,570
Special Functions	28,479		28,479
Community Service Activities		$ 267,564	267,564
Miscellaneous		135	135
Total Operating Revenues	616,700	267,699	884,399
OPERATING EXPENSES:			
Salaries	817,044	189,660	1,006,704
Employee Benefits	196,875	44,958	241,833
Supplies and Materials	78,661	12,308	90,969
Cost of Sales - Reimburseable Programs	614,015		614,015
Cost of Sales - Non-Reimburseable Programs	88,132		88,132
Purchased Professional Services	11,475		11,475
Other Purchased Services		2,824	2,824
Office and Uniform Expense	8,202		8,202
Equipment	9,296		9,296
Repairs and Maintenance	19,080		19,080
Bank Charges	22,052		22,052
Insurance and Fees	24,890		24,890
Depreciation	25,969		25,969
Miscellaneous		3,001	3,001
Total Operating Expenses	1,915,691	252,751	2,168,442
Operating Income (Loss)	(1,298,991)	14,948	(1,284,043)
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	16,935		16,935
Federal Sources:			
National School Lunch Program	684,311		684,311
School Breakfast Program	253,567		253,567
Healthy Hunger Free Kids Program	19,103		19,103
Special Milk Program	3,934		3,934
After School Snack Program	2,849		2,849
United States Department of Agriculture Commodities	91,998		91,998
Interest and Investment Revenue	208		208
Total Nonoperating Revenues	1,072,905	-	1,072,905
Income (loss) before contributions	(226,086)	14,948	(211,138)
Board Contribution	225,000		225,000
Change in Net Position	(1,086)	14,948	13,862
Net Position -- July 1	6,068	6,605	12,673
Net Position -- June 30	$ 4,982	$ 21,553	$ 26,535

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

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

	Business-Type Activities - Enterprise Funds		
	Food Service	Child Care Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	$ 622,029	$ 267,699	$ 889,728
Payments to Employees	(816,284)	(189,660)	(1,005,944)
Payments for Employee Benefits	(196,875)	(44,958)	(241,833)
Payments to Suppliers	(767,647)	(18,133)	(785,780)
Net Cash Provided by (used for) Operating Activities	(1,158,777)	14,948	(1,143,829)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Cash Received from State and Federal Reimbursements	832,802		832,802
Transfers from Other Funds	225,000		225,000
Net Cash Provided by (used for) Non-Capital Financing Activities	1,057,802	-	1,057,802
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends	208		208
Net Cash Provided by (used for) Investing Activities	208		208
Net Increase (Decrease) in Cash and Cash Equivalents	(100,767)	14,948	(85,819)
Cash and Cash Equivalents -- July 1	183,965	6,605	190,570
Cash and Cash Equivalents -- June 30	$ 83,198	$ 21,553	$ 104,751
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (1,298,991)	$ 14,948	$ (1,284,043)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	25,969		25,969
Federal Commodities	91,998		91,998
(Increase) Decrease in Inventories	7,132		7,132
(Increase) Decrease in Other Current Receivables	5,329		5,329
Increase (Decrease) in Other Current Liabilities	9,026		9,026
Increase (Decrease) in Compensated Absences Payable	760		760
Total Adjustments	140,214	-	140,214
Net Cash Provided by (used for) Operating Activities	$ (1,158,777)	$ 14,948	$ (1,143,829)

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

TOWNSHIP OF DEPTFORD SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Funds		Agency Funds	
	New Jersey Unemployment Compensation Trust	Scholarship Trust	Student Activity	Payroll
ASSETS:				
Cash and Cash Equivalents	$ 695,776	$ 72,286	$ 284,559	$ 1,278,510
Total Assets	695,776	72,286	$ 284,559	$ 1,278,510
LIABILITIES:				
Net Payroll - Summer Salary				$ 1,278,510
Payable to Student Groups			$ 284,559	
Total Liabilities			$ 284,559	$ 1,278,510
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purpose	$ 695,776	$ 72,286		

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

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

	Private-Purpsoes Trust Funds	
	New Jersey Unemployment Compensation Trust	Scholarship Trust
ADDITIONS:		
Contributions:		
Employee Withholdings	$ 106,927	
Gifts and Contributions		$ 19,273
Total Contributions	106,927	19,273
Investment Earnings:		
Interest on Investments	201	
Net Investment Earnings	201	-
Total Additions	107,128	19,273
DEDUCTIONS:		
Unemployment Compensation Insurance Claims	122,189	
Scholarships Awarded		10,507
Total Deductions	122,189	10,507
Change in Net Position	(15,061)	8,766
Net Position -- July 1	710,837	63,520
Net Position -- June 30	$ 695,776	$ 72,286

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

TOWNSHIP OF DEPTFORD 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 Township of Deptford 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 Reporting Entity

The School District is a Type II district located in the County of Gloucester, 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 Kindergarten through 12 at the School District’s eight schools. The School District has an approximate enrollment at June 30, 2018 of 4,241.

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. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

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.

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

Component Units (Cont'd)

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

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

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

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

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

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

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

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

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

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

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

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including 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, or 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 expenditure for principal and interest.

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

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

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include salaries, benefits, administrative expenses, and claims paid. 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.

Child Care Fund – This fund accounts for the financial activity related to providing day care services for School District students before school and after school.

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 Trust 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.

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

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

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

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 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 modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payment.

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 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 in 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 in 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 maintains a capitalization threshold of $2,000. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Site Improvements	10-20 years	N/A
Buildings and Improvements	20-50 years	N/A
Equipment	5-15 years	15 Years

The School District does not possess any infrastructure assets.

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

Deferred Outflows and Deferred Inflows of Resources

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

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 and postemployment benefit plans.

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.

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. As of June 30, 2018, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

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

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

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

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

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

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, 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 9) 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 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 balance of $7,494,494 was exposed to custodial credit risk as follows:

Insured	$ 250,000
Insured under GUDPA	4,859,539
Uninsured/Uncollateralized	2,384,955
	$ 7,494,494

New Jersey Cash Management Fund - During the fiscal year, the School District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2018, the School District's deposits with the New Jersey Cash Management Fund were $1,598,225.

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of $1 on October 3, 2006 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.

Note 3: CAPITAL RESERVE ACCOUNT (CONT'D)

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:23-14.1(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	$	408,088
Change in account balance		-
Ending Balance June 30, 2018	$	408,088

The LRFP balance of local support costs of uncompleted projects at June 30, 2018 is $3,112,950.

Note 4: ACCOUNTS RECEIVABLES

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. All receivables are considered collectible.

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

	Governmental Funds			Proprietary Fund		
	General Fund	Special Revenue Fund	Total Governmental Activities	Food Service Fund	Total Business-Type Activities	Total
Federal Awards		$ 668,942	$ 668,942	$ 201,691	$ 201,691	$ 870,633
State Awards	$ 540,705		540,705	3,427	3,427	544,132
Other	277,540		277,540	106,594	106,594	384,134
Total	$ 818,245	$ 668,942	$ 1,487,187	$ 311,712	$ 311,712	$ 1,798,899

Note 5: INVENTORY

Inventory recorded at June 30, 2018 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	$	9,385
Supplies		8,129
	$	17,514

Note 6: CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deletions	Balance July 30, 2018
Governmental Activities				
Capital Assets, not being Depreciated				
Land	$ 210,136			$ 210,136
Total Capital Assets, not being Depreciated	210,136	-	-	210,136
Capital Assets, being Depreciated				
Site Improvements	1,510,494			1,510,494
Building and Improvements	49,983,958	$ 147,550		50,131,508
Equipment	15,692,282	826,762		16,519,044
Total Capital Assets, being Depreciated	67,186,734	974,312		68,161,046
Less Accumulated Depreciation				
Land Improvements	(772,796)	(74,496)		(847,292)
Building and Improvements	(29,806,429)	(1,525,663)		(31,332,092)
Equipment	(9,220,675)	(801,555)		(10,022,230)
Total Accumulated Depreciation	(39,799,900)	(2,401,714)		(42,201,614)
Total Capital Assets, being Depreciated, Net	27,386,834	(1,427,402)		25,959,432
Governmental Activities Capital Assets, Net	$ 27,596,970	$ (1,427,402)	$ -	$ 26,169,568
Business-Type Activities:				
Capital Assets, being Depreciated				
Equipment	$ 661,159			$ 661,159
Less Accumulated Depreciation	(506,221)	$ (25,969)		(532,190)
Total Business-Type Activities Capital Assets, Net	$ 154,938	$ (25,969)	$ -	$ 128,969

Note 6: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:		
Instruction	$	1,504,935
Student & Instruction Related Services		397,884
School Administrative Services		204,555
Plant Operations and Maintenance		294,340
Total Depreciation – Governmental Activities	$	2,401,714
Business-Type Activities:		
Food Service	$	25,969
Total Depreciation – Business-Type Activities	$	25,969

Note 7: LONG-TERM LIABILITIES

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 6,280,000		$ (1,210,000)	$ 5,070,000	$ 1,230,000
Unamortized Cost of Premium on Bonds	147,128		(30,974)	116,154	
Other Liabilities:					
Net Pension Liability	42,141,815	$ 14,097,323	(21,531,349)	34,707,789	
Obligations under Capital Lease	339,686		(153,886)	185,800	92,140
Compensated Absences	2,158,168	500,495	(618,536)	2,040,127	439,461
Total Other Liabilities	44,639,669	14,597,818	(22,303,771)	36,933,716	531,601
Governmental Activities Long-term Liabilities	$ 51,066,797	$ 14,597,818	$ (23,544,745)	$ 42,119,870	$ 1,761,601

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

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

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Business-Type Activities:					
Compensated Absences	$ 32,034	$ 6,840	$ (6,080)	$ 32,794	$ -

Compensated absences are liquidated by the food service 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.

Date of Issue	Amount of Issue	Maturities	Interest Rate	Amount
2016	$ 7,490,000	2019 to 2022	2.0-3.0%	$ 5,070,000

Principal and interest due on bonds outstanding is as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,230,000	$ 113,700	$ 1,343,700
2020	1,265,000	76,800	1,341,800
2021	1,290,000	51,500	1,341,500
2022	1,285,000	25,700	1,310,700
	$ 5,070,000	$ 267,700	$ 5,337,700

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

Obligation under Capital Lease - The School District is leasing bus equipment totaling $747,549 under a capital lease. The capital lease is for a terms of three to five years. Capital leases are depreciated in a manner consistent with the School District's deprecation policy for owned assets. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2018.

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 92,140	$ 3,066	$ 95,206
2020	93,660	1,545	95,205
	$ 185,800	$ 4,611	$ 190,411

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

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to Note 12 for a description of the School District's Policy.

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 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, 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-notices.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.

Note 8: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Plan Descriptions (Cont'd)

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.

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.

Note 8: PENSION PLANS (CONT'D)

General Information About the Pension Plans (Cont'd)

Vesting and Benefit Provisions (Cont'd)

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.

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.*

Note 8: PENSION PLANS (CONT'D)

Contributions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 11.08% 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 $3,064,154, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were $2,044,263.

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.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 14.89% 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 $1,381,240, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were $709,685.

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 $63,803, and the School District recognized pension expense, which equaled the required contributions, of $36,465. There were no forfeitures during the fiscal year.

Note 8: PENSION PLANS (CONT'D)

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 Districts Proportionate Share of Net Pension Liability	$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	183,982,727
	$ 183,982,727

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 0.2728758346%, which was an increase of 0.0038813344% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized $12,745,392 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 $34,707,789 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 0.1490986763%, which was an increase of 0.0068100312% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized pension expense of $3,283,468, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 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 (Cont'd) - At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Expected and Actual Experience	$ 817,249	-
Changes of Assumptions	6,992,423	$ 6,966,788
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	236,337	-
Changes in Proportion and Differences Between School District Contributions and Proportionate Share of Contribution	2,767,995	-
School District Contributions Subsequent to the Measurement Date	1,422,788	-
	$ 12,236,792	$ 6,966,788

$1,422,788, 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	PERS
2019	$ 1,596,951
2020	2,012,852
2021	1,420,961
2022	(589,355)
2023	(594,193)
	$ 3,847,216

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) - 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	-
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		
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 8: 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:

	TPAF	PERS
Inflation	2.25%	2.25%
Salary Increases:		
2012-2021	Varies Based on Experience	
Through 2026		1.65% - 4.15% Base 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 8: PENSION PLANS (CONT'D)

Actuarial Assumptions (cont'd)

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

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 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, 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's Proportionate Share of the Net Pension Liability Associated with the District	218,577,251	183,982,727	155,483,608
	$ 218,577,251	$ 183,982,727	$ 155,483,608

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	$ 43,057,367	$ 34,707,789	$ 27,751,555

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 9: 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	-
	366,078

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 $169,791,116. 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 9: 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 0.3165391808%, which was a decrease of 0.0003930055% 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 –

	TPAF/ABP (1)	PERS (2)	PFRS (2)
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 9: 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		$ 183,287,538
Changes for the year:		
Service cost	$ 7,584,372	
Interest cost	5,386,251	
Changes in assumptions	(22,679,135)	
Gross benefit payments	(3,932,723)	
Member contributions	144,813	
Net changes		(13,496,422)
Balance at June 30, 2018		$ 169,791,116

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	$ 201,554,304	$ 169,761,116	$ 144,593,253

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	$ 139,636,779	$ 169,761,116	$ 209,835,720

Note 9: 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 $10,591,393 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	-	$ 179,593
Changes of assumptions or other inputs	-	20,080,515
	$ -	$ 20,260,108

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:

Fiscal Year Ending June 30,	
2019	$ (2,372,378)
2020	(2,372,378)
2021	(2,372,378)
2022	(2,372,378)
2023	(2,372,378)
Thereafter	(8,398,218)
	$ (20,260,108)

Note 10: 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 $4,129,834, $100,221, $2,732,102, and $5,110, respectively.

Note 11: 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:

Retirement Annuity Consultants	Equitable Life Assurance Society
Lincoln Investment Planning Inc.	Fidelity Investments
Paul Revere Tax Shelter	Valic
American United Life	AIG

Note 12: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2018 the liability for compensated absences reported on the government-wide statement of net position was $2,040,127.

Note 13: INTERFUND BALANCES AND TRANSFERS

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

Fund	Interfunds Receivable	Interfunds Payable
General	$ 744,868	
Special Revenue		$ 554,881
Proprietary		189,987
	$ 744,868	$ 744,868

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 13: INTERFUND BALANCES AND TRANSFERS (CONT'D)

Transfers:

Transfer Out:	Transfer in: Enterprise Fund
General Fund	$ 225,000
Total Transfers	$ 225,000

The principal purpose of the fund transfer made during the fiscal year was to fund operating expenses for the food service fund.

Note 14: 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 15: 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 16: DEFICIT FUND BALANCES

The School District has a deficit fund balance of $670,806 in the general fund and $265,221 in the special revenue fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, 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 statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of $936,027 is less than the June state aid payments.

Note 17: FUND BALANCES

RESTRICTED

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

General Fund

For 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 $1,202,869. Additionally, $647,235 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 $408,088. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

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 $125,732 of general fund balance at June 30, 2018.

General Fund (cont'd)

Other Purposes - As of June 30, 2018, the School District had $41,768 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, $670,806 of general fund balance (deficit) was unassigned.

Special Revenue Fund - As of June 30, 2018, the fund balance of the special revenue fund was a deficit of $265,221, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in Note 16, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of $265,221 is the same amount as the last state aid payment.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

PARKER McCAY

Parker McCay P.A.
9000 Midlantic Drive, Suite 300
P.O. Box 5054
Mount Laurel, New Jersey 08054-5054

P: 856.596.8900
F: 856.596.9631
www.parkermccay.com

July __, 2020

The Board of Education of the Township of Deptford
in the County of Gloucester, New Jersey
2022 Good Intent Road
Deptford, New Jersey

RE: $37,616,000 THE BOARD OF EDUCATION OF THE TOWNSHIP OF DEPTFORD, IN THE COUNTY OF GLOUCESTER, NEW JERSEY, SCHOOL BONDS, SERIES 2020

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Bonds") by The Board of Education of the Township of Deptford, County of Gloucester, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board).

The School District is issuing the Bonds pursuant to: (i) Chapter 24 of Title 18A of the New Jersey ("State") Statutes, as amended and supplemented ("School Bond Law"); and (ii) a resolution duly adopted by the Board on June 2, 2020 ("Resolution"). The Bonds are authorized by a proposal adopted by the Board on November 19, 2019 ("Proposal") and approved by the voters of the School District at a special election held on January 28, 2020.

The Bonds are dated their date of delivery and mature on July 15 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the rates per annum below, payable semi-annually on January 15 and July 15, commencing July 15, 2021, in each year until maturity or earlier redemption.

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2022	$781,000	%	2037	$1,500,000	%
2023	800,000		2038	1,555,000	
2024	830,000		2039	1,555,000	
2025	885,000		2040	1,555,000	
2026	935,000		2041	1,555,000	
2027	985,000		2042	1,555,000	
2028	1,040,000		2043	1,555,000	
2029	1,090,000		2044	1,555,000	
2030	1,140,000		2045	1,555,000	
2031	1,190,000		2046	1,455,000	
2032	1,250,000		2047	1,455,000	
2033	1,300,000		2048	1,450,000	
2034	1,350,000		2049	1,450,000	
2035	1,400,000		2050	1,440,000	
2036	1,450,000				

The Bonds are issued in fully registered book-entry-only form without coupons and are subject to redemption prior to their stated maturity dates on the terms and conditions set forth therein.

The Bonds are being issued to provide funds which will be used to: (i) permanently finance the costs of the capital improvements set forth in the Proposal, for which obligations have been authorized, but not yet issued; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State, the Internal Revenue Code of 1986, as amended (as amended, the "Code") and the School Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Resolution, a certification of the officials of the School District having responsibility for issuing the Bonds given pursuant to the Code ("Non-Arbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, certifications, instruments and opinions examined.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Bonds are legal, valid and binding obligations of the School District enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

2. For the payment of principal of and interest on the Bonds, the School District has the power and is obligated, to the extent payment is not otherwise provided, to levy *ad valorem* taxes upon all taxable real property within the School District without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and does not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals.

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

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

In rendering this opinion, we have assumed continuing compliance by the School District that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia,* the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the School District to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Bonds.

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

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The School District has ***not*** designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

4. Interest on the Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof.

This is only an opinion letter and not a warranty or guaranty of the matters discussed above.

This letter is being provided solely for the benefit of the School District and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this __th day of July, 2020 by and between The Board of Education of the Township of Deptford, County of Gloucester, New Jersey ("Board" when referring to the governing body and "School District" when referring to the legal entity governed by the Board) and Phoenix Advisors, LLC ("Dissemination Agent"). This Disclosure Agreement is entered into in connection with the issuance and sale by the School District of its School Bonds, Series 2020, in the aggregate principal amount of $37,616,000 ("Bonds").

SECTION 1. <u>Purpose of the Disclosure Agreement</u>. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 ("Exchange Act"), as it may be amended and supplemented from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. <u>Definitions</u>. Capitalized terms not otherwise defined herein shall, for purposes of this Disclosure Agreement, have the following meanings:

"<u>Annual Report</u>" shall mean the School District's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"<u>Business Day</u>" shall mean any day other than a Saturday, Sunday or a day on which the School District or the Dissemination Agent is authorized by law or contract to remain closed.

"<u>Continuing Disclosure Information</u>" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"<u>EMMA</u>" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"<u>MSRB</u>" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"<u>National Repository</u>" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC as a repository for purposes of the Rule.

"<u>Opinion of Counsel</u>" shall mean a written opinion of counsel expert in federal securities law acceptable to the School District.

"<u>SEC Release</u>" shall mean Release No. 34-59062, of the SEC, dated December 5, 2008.

SECTION 3. Provision of Annual Report.

(a) The School District shall not later than two hundred seventy (270) days after the end of its fiscal year (currently June 30) during which any of the Bonds remain outstanding provide to the Dissemination Agent, the School District's Annual Report prepared for the preceding fiscal year of the School District (commencing for the fiscal year ending June 30, 2020). Each Annual Report provided to the Dissemination Agent by the School District shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the School District, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the School District certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided to the National Repository.

(c) If the School District fails to provide the Annual Report to the Dissemination Agent by the dates required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the School District advising of such failure. Whether or not such notice is given or received, if the School District thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice to the National Repository in substantially the form attached as Exhibit "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) the School District's annual financial statements, substantially in the form set forth in Appendix B to the Official Statement dated June 23, 2020, audited by an independent certified public accountant, provided that the annual audited financial statements of the School District may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the School District are included in the Annual Report; and (ii) the general financial information and operating data of the School District substantially consistent with the information set forth in Appendix A to the Official Statement. Each annual audited financial statement will conform to generally accepted accounting principles applicable to governmental units or will be prepared in accordance with the standards of the Governmental Accounting Standards Board and requirements of the New Jersey Department of Education as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to the rights of Bondholders, if material;

(8) Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

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

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

(15) incurrence of a financial obligation[1] of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) The School District shall within ten (10) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified in clauses (2), (7), (8), (10), (13), (14) or (15) of subsection (a) of this Section 5, the School District may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the School District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within five (5) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the School District.

SECTION 6. <u>Termination of Disclosure Agreement</u>. This Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the School District is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

[1] The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

SECTION 7. __Amendment; Waiver__. Notwithstanding any other provision of this Disclosure Agreement, the School District and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver (supported by an Opinion of Counsel) 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 School District, 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 Bondholders. The School District shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. __Additional Information__. Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. __Default and Remedies__. In the event of a failure of the School District to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Bondholder may (and, at the written request of Bondholders of at least twenty-five percent (25%) of the outstanding Bonds and provision of indemnity and security for expenses satisfactory to it, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the School District to comply with this Disclosure Agreement shall be an action to compel performance. A failure of the School District to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Bonds.

SECTION 10. __Notices__. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the School District:

The Board of Education of the Township of Deptford,
in the County of Gloucester, New Jersey
2022 Good Intent Road
Deptford, New Jersey 08096
Attention: Todd Reitzel,
Business Administrator/Board Secretary

(ii) If to the Dissemination Agent:

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505
Attention: Sherry L. Tracey, Senior Managing Director

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 11 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School District, the Dissemination Agent and the Bondholders, and nothing herein contained shall confer any right upon any other person.

SECTION 12. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 13. Compensation. The School District shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 14. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the School District or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

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

By: ____
TODD REITZEL,
Business Administrator/Board Secretary

PHOENIX ADVISORS, LLC,
as Dissemination Agent

By: ____
SHERRY L. TRACEY, Senior Managing Director

EXHIBIT A
NOTICE TO THE NATIONAL REPOSITORY OF
FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: The Board of Education of the Township of Deptford, in the County of Gloucester, New Jersey

Name of Bond Issues Affected: $37,616,000 The Board of Education of the Township of Deptford, in the County of Gloucester, New Jersey, School Bonds, Series 2020

Date of Issuance of the Affected Bond issue: July __, 2020

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement dated July __, 2020 between the School District and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by ______________.]

Dated:

PHOENIX ADVISORS, LLC,
Dissemination Agent

cc: School District