

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 1, 2018

NEW ISSUE – Book-Entry Only

Ratings: See “RATINGS” herein

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

\$48,536,000

SCHOOL BONDS, SERIES 2018

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF BELLEVILLE
IN THE COUNTY OF ESSEX, NEW JERSEY**

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

CALLABLE

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The \$48,536,000 aggregate principal amount of School Bonds, Series 2018 (the “Bonds”), of The Board of Education of the Township of Belleville in the County of Essex, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry Bond owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of March and September in each year, commencing September 1, 2018, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding August 15 and February 15 (the “Record Dates” for the payment of interest on the Bonds).

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by The Busch Law Group LLC, Metuchen, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about March 22, 2018.

ELECTRONIC SUBMISSIONS FOR THE BONDS, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, MUST BE MADE VIA PARITY AT 11:00 A.M. EASTERN STANDARD TIME ON MARCH 8, 2018. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

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

\$48,536,000
THE BOARD OF EDUCATION OF THE
TOWNSHIP OF BELLEVILLE
IN THE COUNTY OF ESSEX, NEW JERSEY
SCHOOL BONDS, SERIES 2018

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

CALLABLE

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

<u>Maturity (September 1)</u>	<u>Principal Amounts*</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>
2019	\$2,526,000			
2020	1,370,000			
2021	1,405,000			
2022	1,450,000			
2023	1,495,000			
2024	1,540,000			
2025	1,585,000			
2026	1,635,000			
2027	1,685,000			
2028	1,735,000			
2029	1,795,000			
2030	1,850,000			
2031	1,915,000			
2032	1,990,000			
2033	2,065,000			
2034	2,150,000			
2035	2,235,000			
2036	2,325,000			
2037	2,420,000			
2038	2,520,000			
2039	2,625,000			
2040	2,740,000			
2041	2,740,000			
2042	2,740,000			

* Preliminary, subject to change.

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

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF BELLEVILLE
IN THE COUNTY OF ESSEX, NEW JERSEY**

BOARD MEMBERS

President – Christine Lamparello
Vice President – Nelson Barrera

Thomas Graziano
Thomas Grolimond
Erika Jacho
Liza Lopez
Michael Sheldon

SUPERINTENDENT

Richard D. Tomko, Ph.D.

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Matthew J. Paladino

STATE MONITOR

Thomas Egan

BOARD ATTORNEY

The Busch Law Group LLC
Metuchen, New Jersey

BOARD AUDITOR

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

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

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

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

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

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

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION.....	1
DESCRIPTION OF THE BONDS	1
BOOK-ENTRY ONLY SYSTEM.....	4
THE SCHOOL DISTRICT AND THE BOARD	6
THE STATE'S ROLE IN PUBLIC EDUCATION	6
STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY	7
SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT.....	8
SUMMARY OF STATE AID TO SCHOOL DISTRICTS.....	11
SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS.....	13
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	13
FINANCIAL STATEMENTS	18
MUNICIPAL ADVISOR	18
LITIGATION	18
TAX EXEMPTION	18
RISK TO HOLDERS OF BONDS	20
APPROVAL OF LEGAL PROCEEDINGS	21
PREPARATION OF OFFICIAL STATEMENT	21
RATINGS	21
UNDERWRITING	22
SECONDARY MARKET DISCLOSURE.....	22
ADDITIONAL INFORMATION	23
CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT.....	23
MISCELLANEOUS.....	23
APPENDIX A	
Certain Economic and Demographic Information Relating to the School District and the Township of Belleville, in the County of Essex, State of New Jersey	A-1
APPENDIX B	
Financial Statements of The Board of Education of the Township of Belleville in the County of Essex, New Jersey as of and for the Fiscal Year Ended June 30, 2017	B-1
APPENDIX C	
Form of Bond Counsel's Approving Legal Opinion	C-1
APPENDIX D	
Form of Continuing Disclosure Certificate.....	D-1

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OFFICIAL STATEMENT

OF

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF BELLEVILLE
IN THE COUNTY OF ESSEX, NEW JERSEY**

\$48,536,000

SCHOOL BONDS, SERIES 2018

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

CALLABLE

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of Belleville in the County of Essex, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$48,536,000 aggregate principal amount of School Bonds, Series 2018 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated their date of delivery and shall mature on September 1 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the first day of March and September (each an "Interest Payment Date"), commencing on September 1, 2018, in each of the years and at the interest rates set forth on the inside front cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each August 15 and February 15 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

Redemption

The Bonds of this issue maturing prior to September 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after September 1, 2026 are redeemable at the option of the Board in whole or in part on any date on or after September 1, 2025 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption

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

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

Security for the Bonds

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

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

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

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

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

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

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to (i) Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board on August 30, 2017, and approved by the affirmative vote of a majority of the legal voters present and voting at the annual election held on November 7, 2017, and (iii) a resolution duly adopted by the Board on February 26, 2018 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of 49.75% of the eligible costs of such Project. As such, the State has agreed to pay 49.75% of the annual debt service on the eligible costs financed by the Bonds each year.

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct and Indirect Participant and not of DTC, nor its nominee, Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of Book-Entry Only System

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

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

THE SCHOOL DISTRICT AND THE BOARD

The Board is a seven (7) member board with members elected for staggered three (3) year terms. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports to the Superintendent of Schools.

The School District provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade twelve (12), including regular and special education programs for students in the Township of Belleville, in the County of Essex (the "Township"). The School District operates seven (7) elementary schools, one (1) middle school and one (1) high school. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Township of Belleville, in the County of Essex, State of New Jersey."

In May of 2014, pursuant to N.J.S.A. 10A:7A-55, a State Monitor was appointed for the School District. Specifically, and in accordance with N.J.S.A. 18A:7A-55(a)(1), the State Monitor was appointed as a result of the projection of a deficit at that time. A State Monitor provides direct State oversight of a Board's business operations and personnel matters. Generally, the State Monitor oversees budgeting, purchasing, financial management and staffing of the School District. The State Monitor is on site, regularly attends Board meetings and has the statutory authority to override decisions of the Board and of the Board's administration. In addition, the State Monitor is responsible for the development and implementation of a plan to address the circumstances which resulted in the appointment of the State Monitor (the "Plan"). The State Monitor remains in place until the Commissioner of Education determines that all remedial actions required under the Plan have been implemented and necessary local fiscal controls are satisfactory.

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

The Commissioner of Education (the "Commissioner") is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice and consent of the State Senate, and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid and the Commissioner's consent is required for authorization to sell school bonds that

exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been approved by a board of school estimate or by the voters.

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of

two (2) members appointed by the board of education of the school, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

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

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

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes if such certified budget is less than or equal to the maximum T&E budget and may appeal to the Commissioner if such certified budget amount is in excess of the maximum T&E budget. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

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

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

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and Federal aid, and

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

Tax and Spending Limitations

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

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

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "CEIFA"), as amended by P.L. 2004, c. 732, effective July 1, 2004 and P.L. 2010, c. 44, effective July 13, 2010, which followed QEA, also limits the annual increase in a school district's general fund tax levy which does not exceed the school district's adjusted tax levy, defined as the amount raised by property taxation for the purposes of the school district, excluding any debt service payments (the "Adjusted Tax Levy"). The CEIFA limited the amount school districts can increase their annual current expense and capital outlay budgets (the "Spending Growth Limitations"). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Prior amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (3%). As a result of recent amendments to CEIFA, the budget presented to the voters may not have an increase in the Adjusted Tax Levy that exceeds the pre-budget year Adjusted Tax Levy and an adjustment for enrollment by two percent (2%). See the description of the New Cap Law (as defined herein) below. A school district is required to submit, as applicable, to the board of school estimate or to the voters of the district at the annual school budget election, a general fund tax levy if it exceeds the school district's Adjusted Tax Levy as calculated by N.J.S.A. 18A:7F-38 and 39. Any school district may also submit at the annual school budget election, a separate proposal or proposals for additional funds, including interpretive statements, specifically identifying the program purposes for which the proposed funds shall be used. The Executive County Superintendent may prohibit the submission of such a separate proposal if he or she determines that the district has not implemented all potential efficiencies in the administrative operations of the district, which efficiencies would eliminate the need for such additional funds. Parts of the CEIFA have been found to be unconstitutional. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

P.L. 2010, c. 44, effective July 13, 2010 (the "New Cap Law"), further provides limitations 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. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein. The New Cap Law provides for certain adjustments to the tax levy cap for specific circumstances relating to enrollment increases, health care cost increases and increases in amounts for certain normal and accrued liability pension contributions.

The New Cap Law provides that school districts may submit to voters during April school elections or on other dates set by regulation of the Commissioner, a proposal or proposals to increase the Adjusted Tax Levy by more than the allowable amount authorized pursuant to N.J.S.A. 18A:7F-38. The proposal or proposals to increase the Adjusted Tax Levy shall be approved if a majority of the people voting shall vote affirmatively. For school districts with boards of school estimate, the additional Adjusted Tax Levy shall be authorized only if a quorum is present for the vote and a majority of those board members who are present vote affirmatively to authorize the Adjusted Tax Levy.

Debt service on bonds, such as the Bonds, is not limited either by the two percent (2%) cap on the tax levy increase imposed by the New Cap Law.

Issuance of Debt

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

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

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

Capital Lease Financing

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

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

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

Exceptions to Debt Limitation

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

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

The School District is not an "SDA District".

The legislative response to *Abbott v. Burke* was the passage of the QEA (now repealed). The QEA established a new formula for the distribution of State aid for public education, beginning with the 1991-92 fiscal year. The QEA provided a formula that took into account property values and personal income to determine a school 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 QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

On July 12, 1994, the Court declared the school aid formula under the QEA unconstitutional on several grounds as it applied to the 28 SDA Districts in the ongoing litigation commonly known as *Abbott v. Burke II*. No specific remediation was ordered, but the 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 any new formula would be implemented during the 1997-1998 fiscal period and thereafter.

In keeping with the Court's deadline, the Governor signed the CEIFA into law on December 20, 1996. The CEIFA departed from other funding formulas adopted in the State by defining what constituted a "thorough and efficient" education, as is required by the Constitution of the State. The CEIFA further established the costs necessary provide each student with such an education.

In defining what constitutes a "thorough" education, the State Board adopted a set of Core Curriculum Content Standards (the "Core Curriculum Content Standards"). The purpose of the Core Curriculum Content 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 CEIFA provided State funding assistance in the form of Core Curriculum Content Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Content Standards.

On May 14, 1997, the Court held that the CEIFA was unconstitutional as applied to the SDA Districts because (1) its funding provisions failed to assure that students in such districts would receive a thorough and efficient education and (2) supplemental programs to increase student performance in such districts were neither adequately identified nor funded. The Court recognized the Core Curriculum Content Standards as a valid means of identifying 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 SDA Districts. To bridge the gap between SDA Districts and non-special needs districts, the Court ordered the parity remedy, designed as an interim remedy whereby the State would provide parity aid and supplemental funding to SDA Districts. The CEIFA has not been used to calculate State aid for public schools since the 2001-2002 school year.

Pursuant to the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), which became law on July 18, 2000, the State provides aid to school facilities projects. Under the EFCFA, the State provides one hundred percent (100%) State funding for school facilities projects undertaken by SDA Districts; for non-SDA Districts, the State provides aid in an amount equal to the greater of the district aid percentage or forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid is established prior to the authorization of the project.

Since the 2010-2011 fiscal year, the State has funded debt service aid at eighty-five (85%) of the amount that school districts were entitled to receive under the EFCFA. See "Recent Developments in the Reduction of State Aid" herein.

The School Funding Reform Act of 2008

The School Funding Reform Act of 2008 (the "SFRA") was signed into law in January 2008 and is a five-year product of the State's latest effort to craft a redesigned school funding formula that satisfies the constitutional standard. While the SFRA maintains the Core Curriculum Content Standards established by the CEIFA, it repeals the provisions of the CEIFA which established State aid formulas for programs to support the Core Curriculum Content Standards and has established new formulas. Essentially, the SFRA provides State aid to school districts while also requiring certain levels of local funding. It is a weighted school funding formula which identifies a base cost associated with the education of an elementary pupil without any particular special needs. Once the per-pupil amount is identified, the amount is increased to reflect factors that increase the cost of education, such as (i) grade level, and whether the pupil is (ii) an at-risk pupil (eligible for free or reduced-price lunch), (iii) a Limited English Proficiency ("LEP") pupil, or (iv) a special education student of mild, moderate or severe classification.

The formula is further comprised of several funding mechanisms, the central component being the Adequacy Budget, a wealth equalized budget based on the school district's ability to provide funding through local resources (the "Adequacy Budget"). The Adequacy Report (the "Adequacy Report") establishes the base pupil cost necessary to provide the thorough and efficient education for an elementary school student. Such amount will be adjusted to reflect the differing cost of education a student at the middle and high school levels and various other factors as set forth in the SFRA. Based upon the school district's property and personal income wealth, a local share of such Adequacy Budget is determined. State aid will be provided for that portion of the Adequacy Budget which cannot be supported locally. The SFRA guarantees a minimum two percent (2%) increase in State aid for each school district.

The Department must provide an Adequacy Report every three (3) years addressing the weighted factors that comprise the Adequacy Budget and the various additional components of the SFRA: equalization aid, categorical aid, preschool aid, extraordinary aid, adjustment aid and education adequacy aid.

The constitutionality of the SFRA was challenged and was held to be constitutional by the Court on May 28, 2009.

Recent Developments in the Reduction of 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 fiscal year 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.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

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

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

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

the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

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

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

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

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

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

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

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

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is

required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

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

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

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

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. The audit must be performed by a licensed public school accountant no later than five (5) months after the end of the school fiscal year. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit

must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

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

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

State Supervision

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

Appropriations “Cap”

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

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and

subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

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

Tax Assessment and Collection Procedure

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

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

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

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

Tax Appeals

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

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

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

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

FINANCIAL STATEMENTS

The audited financial statements of the Board as of and for the fiscal year ended June 30, 2017 together with the notes to the financial statements have been provided by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). See "APPENDIX B – Financial Statements of The Board of Education of the Township of Belleville in the County of Essex, New Jersey as of and for the Fiscal Year Ended June 30, 2017."

MUNICIPAL ADVISOR

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

LITIGATION

To the knowledge of the Board Attorney, The Busch Law Group LLC, Metuchen, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened against the Board, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX EXEMPTION

Federal Income Tax Treatment

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

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

Premium Bonds

[The Bonds [maturing on September 1 of the years 20__ through 20__, inclusive (collectively, the "Premium Bonds")], have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

Discount Bonds

[Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on September 1 in the years 20__ through 20__, inclusive (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the [Discount] Bonds, the amount of such original issue discount which is treated as having accrued with respect to the [Discount] Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the [Discount] Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

Additional Federal Income Tax Consequences Relating to Bonds

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

State Taxation

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

Prospective Tax Law Changes

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

Other Tax Consequences

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

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

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

RISK TO HOLDERS OF BONDS

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

Municipal Bankruptcy

THE BOARD HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

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

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

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

RATINGS

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

Bond Reserve Act, and the Rating Agency has also assigned a rating of "A-" (stable outlook) based solely upon such Act.

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

The inclusion of the Rating Agency's "Outlook", if any, has been provided herein for informational purposes only and is not part of the "Rating" described in the above paragraphs. The "Outlook" is only the Rating Agency's forward-looking view of the School District. The School District has no obligation to treat any change in the "Outlook" as a "Disclosure Event", as defined and described under the SEC Rule (as hereinafter defined) or under the provisions of the School District's Continuing Disclosure Agreement, or to notify Bondholders as to any changes to the "Outlook" after the date hereof.

UNDERWRITING

The Bonds are being purchased from the Board by _____ (the "Underwriter"), at a price of \$_____. The purchase price of the Bonds reflects the par amount of Bonds equal to \$48,536,000.00, minus an Underwriter's discount of \$_____ less/plus a[n] [net] original issue discount/premium of \$_____. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

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

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2018 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access ("EMMA") system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "SEC Rule").

The Board has no prior undertakings and therefore has no filing requirements in accordance with the SEC Rule. The Board has appointed Phoenix Advisors, LLC, Bordentown, New Jersey to act as continuing disclosure agent to assist in the filing of certain information on EMMA as required with respect to the Bonds and future obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Matthew J. Paladino, (973) 450-3500, ext. 1009, or to Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6459.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

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

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF
BELLEVILLE IN THE COUNTY OF ESSEX, NEW JERSEY**

**MATTHEW J. PALADINO,
Business Administrator/Board Secretary**

DATED: _____, 2018

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APPENDIX A

**Certain Economic and Demographic Information Relating to the
School District and the Township of Belleville,
in the County of Essex, State of New Jersey**

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**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING
TO THE SCHOOL DISTRICT AND THE TOWNSHIP OF
BELLEVILLE, IN THE COUNTY OF ESSEX, STATE OF NEW JERSEY**

Summary

The public school system in the Township of Belleville, in the County of Essex, State of New Jersey (the “Township”) is operated by The Board of Education of the Township of Belleville in the County of Essex, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed thereby), as a Type II School District. It functions independently through a seven (7) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning and operational functions of the School District. The Board operates a Pre-Kindergarten through grade twelve (12) district which houses its students in seven (7) elementary schools, one (1) middle school and one (1) high school. These schools include class rooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, a cafeteria and gymnasium.

SCHOOL DISTRICT ENROLLMENT

<u>Fiscal Year</u>	<u>Total School District Enrollment</u>
2017-2018	4,495
2016-2017	4,465
2015-2016	4,593
2014-2015	4,666
2013-2014	4,431

Staff¹

The Superintendent is the chief administrative officer of the School District. The Business Administrator/Board Secretary oversees the business functions of the Board and reports through the Superintendent to the Board. The School District employs the following staff (Including part-time employees):

<u>Description</u>	
Instruction/Teaching Staff.....	412
Student and Instructional Related Services	51
Administrators/Professionals/Office Staff	41
Custodial/Maintenance/Transportation	53
Other.....	15
Total	572

Labor Relations¹

The Board has settled a three (3) year contract with the Belleville Education Association that expires June 30, 2018. The Board has also settled contracts with its Administrators and its paraprofessionals and bus drivers which expires on June 30, 2019 and June 30, 2018, respectively. The contract with its custodial and maintenance staff expired June 30, 2017 and the Board is currently in negotiations.

¹ Source: Business Administrator/Board Secretary; Board records

Comparison of General Fund Revenues and Appropriations – Budgetary Basis

	(Budget) Fiscal Year <u>2017-2018</u>	(Actual) Fiscal Year <u>2016-2017</u>	(Actual) Fiscal Year <u>2015-2016</u>	(Actual) Fiscal Year <u>2014-2015</u>
GENERAL FUND				
REVENUES				
Budgeted Fund Balance - Operating Budget				
Withdrawal from Capital Reserve				
Local Sources:				
Local Tax Levy	39,764,229	\$ 38,667,832	\$ 37,665,506	\$ 36,249,715
Tuition (Including Related Services Provided)	240,000	181,435	230,509	151,649
Interest				
Miscellaneous	32,700	157,046	284,269	113,635
Federal Sources	108,486	263,041	164,183	160,436
Intermediate Sources				
State Sources	<u>26,471,780</u>	<u>26,428,249</u>	<u>26,238,935</u>	<u>30,533,230</u>
TOTAL REVENUES	<u>\$ 66,617,195</u>	<u>\$ 65,697,603</u>	<u>\$ 64,583,402</u>	<u>\$ 67,208,665</u>
APPROPRIATIONS				
Instruction:				
Regular Programs	\$ 19,275,367	\$ 18,834,045	\$ 18,081,805	\$ 19,096,217
Special Education	5,721,288	5,822,252	5,448,964	5,179,763
Basic Skills/Remedial	1,457,942	1,420,161	1,227,479	875,484
Bilingual Education	900,741	877,371	880,390	900,995
School-Sponsored Co-curricular Activities	137,870	170,802	130,389	128,513
School Sponsored Athletics	676,169	629,167	585,708	589,931
Undistributed Expenditures:				
Instruction (Tuition)	4,069,342	3,845,912	4,029,832	5,571,126
Attendance and Social Work		-	36,667	24,288
Health Services	986,761	973,794	904,293	880,513
Speech, OT, PT, Related & Extraordinary Svcs.	2,039,239	2,061,989	2,171,964	1,804,864
Guidance	1,076,520	1,048,731	1,047,970	1,018,830
Child Study Team	1,766,281	1,693,566	1,515,787	1,523,561
Improvement of Instructional Services		30,264	3,521	269,558
Educational Media Services/Library	313,219	306,601	265,589	255,288
Instructional Staff Training		-	1,500	94,494
General Administration	2,282,368	2,333,245	2,828,813	1,866,076
School Administration	3,891,446	4,214,493	3,881,539	3,159,944
Central Services and Admin. Info. Technology	1,350,487	1,510,423	1,417,751	1,414,150
Operations and Maintenance	4,563,093	4,685,598	4,837,427	4,280,941
Student Transportation Services	2,462,815	2,423,261	2,574,092	3,078,868
Personnel Services - Employee Benefits	<u>11,854,564</u>	<u>10,069,617</u>	<u>9,635,946</u>	<u>9,111,673</u>
Subtotal	64,825,512	62,951,292	61,507,426	61,125,077
Capital Outlay	1,800,754	1,679,265	1,554,041	1,582,832
Summer School	16,134	16,134		
Transfer of Funds to Charter Schools	<u>174,795</u>	<u>191,455</u>	<u>49,854</u>	<u>86,177</u>
TOTAL APPROPRIATIONS/EXPENDITURES	<u>\$ 66,817,195</u>	64,838,146	63,111,321	62,794,086
Other Financing Sources/Uses (Net)		<u>-</u>	<u>-</u>	<u>(105,000)</u>
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures and Other Financing Sources/(Uses)		859,457	1,472,081	4,309,579
Fund Balance, Beginning of Year		<u>2,653,300</u>	<u>1,181,219</u>	<u>(3,128,360)</u>
Fund Balance, End of Year		<u><u>\$ 3,512,757</u></u>	<u><u>\$ 2,653,300</u></u>	<u><u>\$ 1,181,219</u></u>

* All years exclude TPAF Pension and Social Security on behalf payments.

School District Debt Limit and Borrowing Margin²

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to four percent (4.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Township and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Township for the last three (3) years and the School District's available borrowing margin as of December 31, 2017 are summarized below:

<u>Year</u>	<u>Amount</u>
2015	\$ 2,784,862,544
2016	2,698,477,266
2017	<u>2,729,815,311</u>
	<u>\$ 8,213,155,121</u>
Average for the Three (3) Year Period	2,737,718,374
School District Borrowing Margin (4.0% of \$2,737,718,374)	109,508,735
School Debt as of December 31, 2017	<u>-</u>
Available School District Borrowing Margin	<u>\$ 109,508,735</u>

**COMPUTATION OF SCHOOL AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2017³**

Debt of School District as of December 31, 2017	\$ -
Overlapping Debt of School District:	
Township of Belleville (100%)	25,026,099
County of Essex (as of December 31, 2016)	33,357,964
Passaic Valley Sewerage Authority (as of December 31, 2016)	<u>5,437,249</u>
Total School and Overlapping Bonded Debt	<u>\$ 63,821,312</u>

² Source: The Township of Belleville 2017 Annual Debt Statement

³ Source: The Township of Belleville 2017 Annual Debt Statement, the County of Essex 2016 Annual Audit and the Essex County Utilities Authority 2016 Annual Audit.

**GENERAL INFORMATION OF THE TOWNSHIP OF BELLEVILLE,
IN THE COUNTY OF ESSEX, STATE OF NEW JERSEY**

Size and Geographical Location

The Township of Belleville (the “Township”) is located in the northeastern portion of Essex County and is situated between the Passaic River, the Townships of Nutley and Bloomfield and the City of Newark. The Township’s area is approximately 3.4 square miles.

Form of Government

The Township form of government is Mayor-Council under the Faulkner Act. The Mayor serves as Chief Executive and Administrative Officer of the Township and is elected every four years. The Township Council is made up of six council-members, two who are elected at large and four that are elected from each of the four wards within the Township.

Transportation

The Township is approximately 10 miles east of New York City. Residents have access to all parts of New York and New Jersey via nearby highways Routes 3, 46, 7 and 21, the Garden State Parkway, Interstate 280. NJ Transit bus service also serves the Township.

Population Trends⁴

Population trends for the Township, County and State since 1980 are shown below:

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>
Township	35,367	34,213	35,928	35,926	36,203
County	851,304	778,206	793,633	783,969	796,914
State	7,365,011	7,730,188	8,414,350	8,791,894	8,944,469

Money Income as of 2015⁵

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Township	\$64,690	\$75,880	\$28,824
County	54,860	70,937	33,482
State	73,702	90,757	37,538

⁴ Source: State of New Jersey, Data Center, Census Data

⁵ Source: U.S. Census Bureau, 2011 - 2015 American Community Survey

Employment and Unemployment Data⁶

For the years 2012 to 2016 the New Jersey Department of Labor reported the following annual average employment information:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2016	19,275	18,227	1,048	5.4%
2015	19,477	18,218	1,259	6.5%
2014	19,684	18,136	1,548	7.9%
2013	19,752	17,911	1,841	9.3%
2012	20,222	18,064	2,158	10.7%
<u>County</u>				
2016	371,140	348,806	22,334	6.0%
2015	374,593	348,636	25,957	6.9%
2014	376,003	345,955	30,048	8.0%
2013	377,778	341,162	36,616	9.7%
2012	384,578	343,296	41,282	10.7%
<u>State</u>				
2016	4,524,300	4,299,900	224,400	5.0%
2015	4,530,500	4,267,900	262,600	5.6%
2014	4,515,800	4,211,500	304,300	6.7%
2013	4,531,900	4,159,500	372,400	8.2%
2012	4,588,000	4,160,000	428,000	9.3%

Largest Taxpayers⁷

The largest taxpayers in the Township and their 2017 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>	<u>% of Total Assessed Value</u>
Branch Brook Garden	\$ 36,722,900	1.37%
Clara Mass Health System	23,521,600	0.88%
432 Owners, Inc.	17,250,000	0.64%
Route 21 Assoc of Belleville LLC	14,435,000	0.54%
Belleville Industrial Center c/o Heron	12,505,600	0.47%
Oster Belleville Properties LLC	11,405,000	0.43%
Belleville Center LLC	10,804,200	0.40%
SROA Belleville Property LLC	9,797,700	0.37%
SH726 LLC	7,900,000	0.30%
Venture,	7,661,500	0.29%
	<u>\$ 152,003,500</u>	<u>5.68%</u>

⁶ Source: State of New Jersey Data Center

⁷ Township of Belleville Tax Assessor

Assessed Valuations/Land and Improvements by Class⁸

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2017	\$ 41,897,880	\$ 1,993,404,400	\$ 296,131,350	\$ 128,147,550	\$ 209,359,250	\$ 2,668,940,430
2016	51,464,380	1,990,272,550	301,983,200	123,162,150	212,165,950	2,679,048,230
2015	43,391,480	1,989,053,050	300,728,800	129,236,250	219,413,050	2,681,822,630
2014	42,638,180	1,989,920,400	301,318,400	131,609,250	213,901,650	2,679,387,880
2013	44,590,880	1,994,921,600	294,635,600	133,782,550	213,202,050	2,681,132,680

Assessed Valuations/Net Valuation Taxable⁹

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2017	\$ 2,668,940,430	\$ 6,447,900	\$ 2,675,388,330	99.28%	\$ 2,719,414,127
2016	2,679,048,230	5,912,200	2,684,960,430	96.30%	2,813,266,309
2015	2,681,822,630	5,591,772	2,687,414,402	96.92%	2,799,204,926
2014	2,679,387,880	5,591,772	2,684,979,652	95.11%	2,850,879,126
2013	2,681,132,680	6,186,500	2,687,319,180	93.01%	2,918,535,288

Components of Real Estate Tax Rate (per \$100 of Assessment)¹⁰

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2017	\$3.877	\$1.867	\$1.486	\$0.524
2016	3.834	1.850	1.440	0.544
2015	3.704	1.765	1.402	0.537
2014	3.605	1.708	1.350	0.547
2013	3.480	1.678	1.272	0.530

Board Tax Collections¹¹

<u>Fiscal Year Ending June 30,</u>	<u>Total Levy</u>	<u>Collection During Year of Levy Amount</u>	<u>Percentage</u>
2017	\$38,667,832	\$38,667,832	100%
2016	37,665,506	37,665,506	100%
2015	36,249,715	36,249,715	100%
2014	34,177,243	34,177,243	100%
2013	32,959,663	32,959,663	100%

⁸ Township of Belleville Tax Duplicates

⁹ Essex County Abstract of Ratables

¹⁰ Township of Belleville Tax Collector

¹¹ Belleville Board of Education Annual Audit Reports

APPENDIX B

**Financial Statements of The Board of Education of the
Township of Belleville
in the County of Essex, New Jersey as of and for
the Fiscal Year Ended June 30, 2017**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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CINDY JANACEK, CPA, RMA
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SHERYL M. NICOLosi, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Belleville Township School District
Belleville, New Jersey

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 Belleville Township School District as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements.

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, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and 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.

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 Belleville Township School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2017 on our consideration of the Belleville Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Belleville Township School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Belleville Township School District's internal control over financial reporting and compliance.

By/s/

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Fair Lawn, New Jersey
November 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2017

This section of Belleville Township School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the District's financial statements and notes to the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- The liabilities and deferred inflows of resources of the Belleville Township School District exceeded its assets and deferred outflows of resources at the close of the fiscal year resulting in a deficit of \$13,642,021. (Net Position)
- The District's total net position increased by \$902,262 or 6%.
- Overall District revenues were \$92,890,864. General revenues accounted for \$61,352,868 or 66% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$31,537,996 or 34% of total revenues.
- The school district had \$89,814,281 in expenses for governmental activities; only \$29,458,655 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes and unrestricted state and federal aid) of \$61,352,332 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,382,250. Of this amount, \$2,141,257 is restricted for capital projects, \$193,656 is restricted for required maintenance projects, \$893,042 is assigned to year end encumbrances and the remaining amount is the unassigned fund deficit of \$1,845,705.
- The General Fund fund balance at June 30, 2017 was \$627,142, an increase of \$848,119 compared to the ending fund deficit at June 30, 2016 of \$220,977.
- The General Fund budgetary fund balance at June 30, 2017 was \$3,512,757, which represents an increase of \$859,457 compared to the ending budgetary fund balance at June 30, 2016 of \$2,653,300.
- The District's governmental activities capital assets, net increased by \$125,164 during the current fiscal year.
- The District's governmental activities long-term liabilities increased by \$309,876 during the current fiscal year.

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

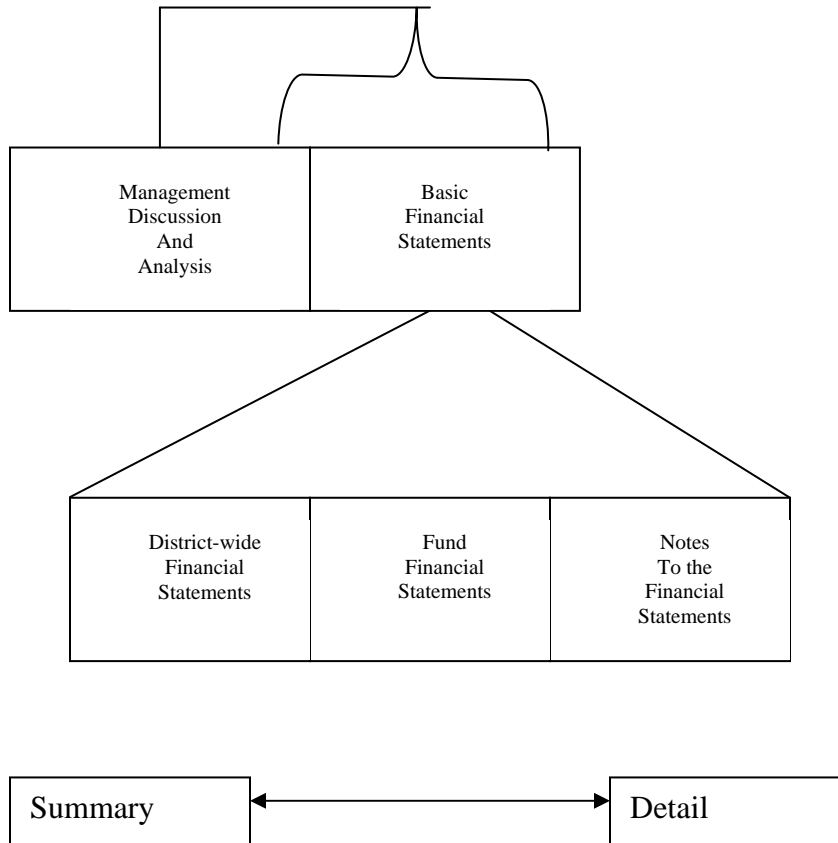
Management's Discussion and Analysis Fiscal Year Ended June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the district operated like *businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following shows how the various parts of this Annual Report are arranged and related to one another.



BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management’s Discussion and Analysis Fiscal Year Ended June 30, 2017

The table below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district(except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, building maintenance, transportation, and administration.	Activities the district operates similar to private businesses: Enterprise Funds	Instances in which the district administers resources on behalf of someone else, such as unemployment compensation, student activities and payroll activities
Required financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures and Changes in Fund Balances	Statement of Net position Statement of Revenue, Expenses, and Changes in Fund Net Position, Statement of Cash Flows	Statement of Fiduciary Net Position. Statement of Change In Fiduciary Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources Focus
Type of asset, liability and deferred inflows/outflows information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and Long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets, deferred outflows, liabilities and deferred inflows, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District’s *net position* and how it has changed. Net position – the difference between the District’s assets/deferred outflows and liabilities/deferred inflows – is one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial condition is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management's Discussion and Analysis Fiscal Year Ended June 30, 2017

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and plant operation and maintenance. Property taxes and Federal and State aid finance most of these activities.
- *Business type activities* – These are activities for operations that are financed and operated in a manner similar to private business enterprises. The District's food services (cafeteria) program is included under this category.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial resources* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

- *Enterprise Funds* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has one enterprise fund for its food service (cafeteria) program.

- *Internal Service Funds* – This fund is established to account for activities that provide services primarily for the District's other programs and activities. The District currently uses an internal service fund to account for its worker's compensation self-insurance program. Because these services benefit governmental rather than business-type functions, they have been included in *governmental activities* in the district-wide financial statements.

- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets and other resources that belong to others. The District is responsible for ensuring that the assets and other resources reported in these funds are used only for their intended purposes and by those to whom they belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these resources to finance its operations.

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for the general and special revenue funds as required supplementary information. Information regarding the District's employee retirement systems and pension plans has also been provided as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons and pension information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's *combined* net position deficit was \$13,642,021 on June 30, 2017 and \$14,544,283 on June 30, 2016 as follows:

**Net Position
As of June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 3,109,906	\$ 5,197,203	\$ 309,618	\$ 272,766	\$ 3,419,524	\$ 5,469,969
Capital Assets	<u>10,551,040</u>	<u>10,425,876</u>	<u>101,892</u>	<u>144,244</u>	<u>10,652,932</u>	<u>10,570,120</u>
Total Assets	<u>13,660,946</u>	<u>15,623,079</u>	<u>411,510</u>	<u>417,010</u>	<u>14,072,456</u>	<u>16,040,089</u>
Deferred Outflows of Resources	<u>6,404,540</u>	<u>3,504,456</u>	-	-	<u>6,404,540</u>	<u>3,504,456</u>
Liabilities						
Long-Term Liabilities	30,192,673	29,882,797	-	-	30,192,673	29,882,797
Other Liabilities	<u>1,763,851</u>	<u>3,799,991</u>	<u>186,145</u>	<u>92,434</u>	<u>1,949,996</u>	<u>3,892,425</u>
Total Liabilities	<u>31,956,524</u>	<u>33,682,788</u>	<u>186,145</u>	<u>92,434</u>	<u>32,142,669</u>	<u>33,775,222</u>
Deferred Inflows of Resources	<u>1,969,331</u>	<u>301,822</u>	<u>7,017</u>	<u>11,784</u>	<u>1,976,348</u>	<u>313,606</u>
Net Position						
Net Investment in Capital Assets	7,066,551	6,536,372	101,892	144,244	7,168,443	6,680,616
Restricted	1,694,143	676,149	-	-	1,694,143	676,149
Unrestricted	<u>(22,621,063)</u>	<u>(22,069,596)</u>	<u>116,456</u>	<u>168,548</u>	<u>(22,504,607)</u>	<u>(21,901,048)</u>
Total Net Position	<u>\$ (13,860,369)</u>	<u>\$ (14,857,075)</u>	<u>\$ 218,348</u>	<u>\$ 312,792</u>	<u>\$ (13,642,021)</u>	<u>\$ (14,544,283)</u>

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents amounts reserved for specific purposes by outside parties or statutory requirements. Unrestricted net position represents amounts available to the government that are neither restricted nor invested in capital assets.

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

The District's deficit in total net position of \$13,642,021 at June 30, 2017 represents a \$902,262 or a 6% increase in net position from the prior year deficit of \$14,544,283. The following presents the changes in net position for the fiscal years ended June 30, 2017 and 2016.

Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services and Sales	\$ 181,435	\$ 230,509	\$ 650,743	\$ 666,206	\$ 832,178	\$ 896,715
Operating Grants and Contributions	29,122,236	23,332,011	1,428,598	1,355,359	30,550,834	24,687,370
Capital Grants and Contributions	154,984	87,646			154,984	87,646
General Revenues						-
Property Taxes	38,667,832	37,665,506			38,667,832	37,665,506
State and Federal Aid - Unrestricted	22,523,414	22,214,027			22,523,414	22,214,027
Miscellaneous Income	161,086	286,923	536	477	161,622	287,400
Total Revenues	90,810,987	83,816,622	2,079,877	2,022,042	92,890,864	85,838,664
Expenses						
Instruction						
Regular	37,115,854	33,204,564			37,115,854	33,204,564
Special Education	15,165,972	14,015,994			15,165,972	14,015,994
Other Instruction	4,457,171	3,711,081			4,457,171	3,711,081
School Sponsored Activities and Athletics	1,125,987	942,304			1,125,987	942,304
Support Services						
Student and Instruction Related Services	10,249,971	9,317,872			10,249,971	9,317,872
General Administrative Services	2,305,809	2,737,192			2,305,809	2,737,192
School Administrative Services	7,664,156	6,331,181			7,664,156	6,331,181
Central Administrative Services	1,813,496	1,687,127			1,813,496	1,687,127
Plant Operations and Maintenance	6,853,846	6,350,149			6,853,846	6,350,149
Pupil Transportation	2,946,159	3,048,329			2,946,159	3,048,329
Interest on Long-Term Debt	115,860	108,879			115,860	108,879
Food Services	-	-	2,174,321	2,115,354	2,174,321	2,115,354
Total Expenses	89,814,281	81,454,672	2,174,321	2,115,354	91,988,602	83,570,026
Change in Net Position	996,706	2,361,950	(94,444)	(93,312)	902,262	2,268,638
Net Position, Beginning of Year	(14,857,075)	(17,219,025)	312,792	406,104	(14,544,283)	(16,812,921)
Net Position, End of Year	\$ (13,860,369)	\$ (14,857,075)	\$ 218,348	\$ 312,792	\$ (13,642,021)	\$ (14,544,283)

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

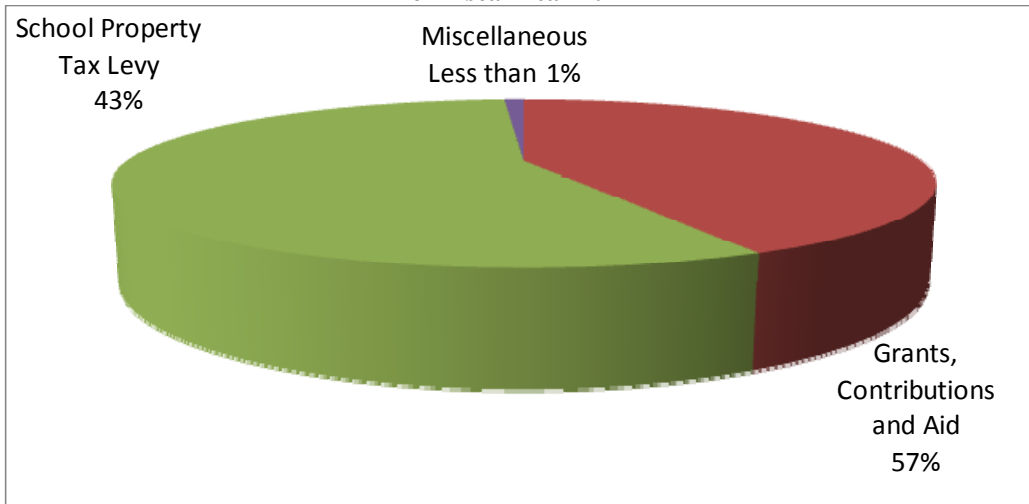
Management's Discussion and Analysis Fiscal Year Ended June 30, 2017

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$90,810,987 for the fiscal year ended June 30, 2017, property taxes of \$38,667,832 represented 43% of revenues. Another significant portion of revenues came from grants and contributions and unrestricted state and federal aid which totaled \$51,800,634 or 57% of revenues. In addition, charges for services from tuition as well as general revenue from miscellaneous income such as interest, prior year refunds and other miscellaneous items represented less than 1% of revenues.

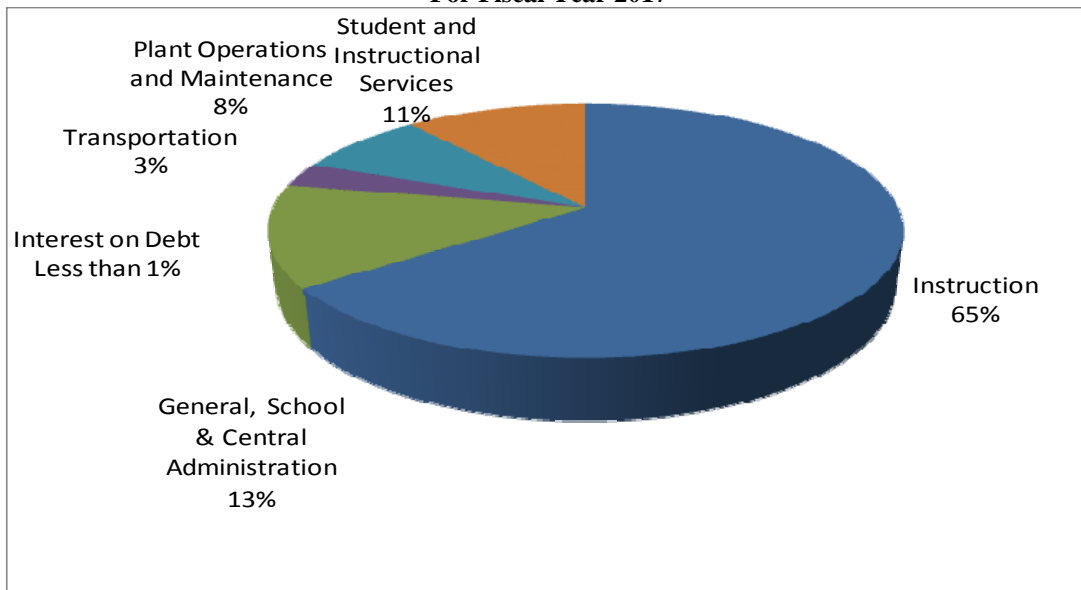
The total cost of all governmental activities programs and services was \$89,814,281 for the fiscal year ended June 30, 2017. The District's expenses are predominantly related to educating and caring for students. Instruction costs were \$57,864,984 (65%) of total expenses. Support services costs were \$31,833,437 (35%) of total expenses and interest on debt totaled \$115,860, (less than 1%) of total expenses.

For fiscal year 2017, total governmental activities revenues exceeded expenses increasing net position for governmental activities by \$999,706 from the previous year's balance.

**Revenues by Sources – Governmental Activities
For Fiscal Year 2017**



**Expenses by Type-Governmental Activities
For Fiscal Year 2017**



BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2017

Net Cost of Governmental Activities. The District’s total cost of services was \$89,814,281. After applying program revenues, derived from operating and capital grants and contributions of \$29,277,220 and charges for services of \$181,435, the net cost of services of the District was \$60,355,626 for the fiscal year ended June 30, 2017.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction:				
Regular	\$ 37,115,854	\$ 33,204,564	\$ 23,081,242	\$ 21,981,826
Special Education	15,165,972	14,015,994	7,840,206	7,255,988
Other Instruction	4,457,171	3,711,081	2,763,770	2,503,894
School Sponsored Activities and Athletics	1,125,987	942,304	1,125,987	942,304
Support Services:				
Student & Instruction Related Services	10,249,971	9,317,872	6,937,844	7,058,045
General Administrative Services	2,305,809	2,737,192	2,188,361	2,648,415
School Administrative Services	7,664,156	6,331,181	5,358,202	4,808,739
Central Administrative Services	1,813,496	1,687,127	1,759,133	1,660,758
Plant Operations and Maintenance	6,853,846	6,350,149	6,525,704	6,069,473
Pupil Transportation	2,946,159	3,048,329	2,659,317	2,766,185
Interest on Long Term Debt	115,860	108,879	115,860	108,879
Total	<u>\$ 89,814,281</u>	<u>\$ 81,454,672</u>	<u>\$ 60,355,626</u>	<u>\$ 57,804,506</u>

Business-Type Activities – The District’s total business-type activities revenues were \$2,079,877 for the fiscal year ended June 30, 2017. Charges for services of \$650,743 accounted for 31% of total revenues and operating grants and contributions of \$1,428,598 accounted for 69% of total revenues.

Total cost of all business-type activities programs and services was \$2,174,321 for the fiscal year ended June 30, 2017.

For fiscal year 2017, total business-type activities expense exceeded revenues, decreasing net position by \$94,444 or 30% compared to the previous year.

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$1,382,250 at June 30, 2017, a decrease of \$47,269 from last year's fund balance of \$1,429,519.

Revenues for the District's governmental funds were \$76,386,057, while total expenditures were \$76,433,326 for the fiscal year ended June 30, 2017.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from Pre-K through 12 including pupil transportation, extra-curricular activities and plant operation and maintenance costs.

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Local Sources:				
Property Tax Levy	\$ 38,667,832	\$ 37,665,506	\$ 1,002,326	3%
Tuition	181,435	230,509	(49,074)	329%
Miscellaneous	157,046	284,269	(127,223)	-45%
State Sources	34,520,252	33,307,496	1,212,756	4%
Federal Sources	<u>263,041</u>	<u>164,183</u>	<u>98,858</u>	60%
Total General Fund Revenues	<u>\$ 73,789,606</u>	<u>\$ 71,651,963</u>	<u>\$ 2,137,643</u>	3%

For fiscal year 2017, total General Fund revenues increased \$2,137,643 or 3% from the previous year. Property taxes increased \$1,002,326 or 3% to support increases in operating costs. As indicated, State aid increased 4% mainly attributable to on behalf pension contributions made by the State for the District's teaching professionals.

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Instruction	\$ 44,035,395	\$ 41,873,454	\$ 2,161,941	5%
Support Services	26,765,374	26,513,818	251,556	1%
Debt Service	1,899,129	2,023,993	(124,864)	-6%
Capital Outlay	<u>241,589</u>	<u>30,961</u>	<u>210,628</u>	680%
Total Expenditures	<u>\$ 72,941,487</u>	<u>\$ 70,442,226</u>	<u>\$ 2,499,261</u>	4%

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2017

GENERAL FUND (Continued)

For fiscal year 2017, total General Fund expenditures increased \$2,499,261 or 4% over the previous year. Increases in instruction costs and capital outlay were offset by decreases in general administrative support services and student transportation costs in the current year.

In fiscal year 2017 General Fund revenues exceeded expenditures by \$848,119. Therefore, the total fund deficit of \$220,977 was eliminated to a fund balance of \$627,142 at June 30, 2017. After deducting restricted and assigned fund balances, the unassigned fund deficit decreased from \$1,863,401 at June 30, 2016 to \$1,845,705 at June 30, 2017.

General Fund Budgetary Highlights

The District’s budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the budgetary basis of accounting for revenues, expenditures and encumbrances. The most significant difference between the budgetary basis of accounting and generally accepted accounting principles is the legally mandated revenue recognition of certain delayed or deferred state aid payments. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made through the reappropriation of prior year encumbrances and budget transfers to prevent over expenditures in specific line item accounts.

For fiscal year 2017 General Fund budgetary revenues exceeded budgetary expenditures increasing budgetary fund balance \$859,457 from the previous year. After deducting fund balances restricted and assigned, the unassigned budgetary fund balance increased \$29,034, from a fund balance of \$1,010,876 at June 30, 2016 to a fund balance of \$1,039,910 at June 30, 2017. In addition, the District increased its restricted capital reserve fund balance by a total of \$710,000 at June 30, 2017, and established a maintenance reserve in the amount of \$193,656 at June 30, 2017.

CAPITAL ASSET

At the end of fiscal year 2017, the District had \$10,551,040 invested in land, buildings, furniture, equipment and vehicles for governmental activities and \$101,892 for business type activities. The following is a comparison of the June 30, 2017 and 2016 balances:

**Capital Assets
(Net of Accumulated Depreciation)
at June 30, 2017 and 2016**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 225,057	\$ 225,057			\$ 225,057	\$ 225,057
Construction in Progress	46,211	769,836			46,211	769,836
Land Improvements	10,938	11,621			10,938	11,621
Buildings and Improvements	9,266,426	8,415,370			9,266,426	8,415,370
Furniture, Equipment and Vehicles	<u>1,002,408</u>	<u>1,003,992</u>	<u>\$ 101,892</u>	<u>\$ 144,244</u>	<u>1,104,300</u>	<u>1,148,236</u>
Total Capital Assets, Net	<u>\$ 10,551,040</u>	<u>\$ 10,425,876</u>	<u>\$ 101,892</u>	<u>\$ 144,244</u>	<u>\$ 10,652,932</u>	<u>\$ 10,570,120</u>

Additional information on the District’s capital assets is presented in Note 3 of this report.

BELLEVILLE TOWNSHIP SCHOOL DISTRICT

Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2017

LONG TERM LIABILITIES

At June 30, 2017 the District had \$30,192,673 of total outstanding long-term liabilities for governmental activities. Of this amount, \$4,125,259 is for capital leases, \$1,549,016 is for compensated absences, \$3,329,940 is for the state aid advance loan payable and \$21,188,458 is for the District’s net pension liability. The following is a comparison of the June 30, 2017 and 2016 balances:

**Outstanding Long-Term Liabilities
as of June 30, 2017 and 2016**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Capital Leases	\$ 4,125,259	\$ 5,540,000
Compensated Absences	1,549,016	1,824,366
State Aid Advance Loan Payable	3,329,940	3,746,183
Net Pension Liability	<u>21,188,458</u>	<u>18,772,248</u>
Total	<u>\$ 30,192,673</u>	<u>\$ 29,882,797</u>

Additional information of the District’s long-term liabilities is presented in Note 3 of this report.

FACTORS BEARING ON THE DISTRICT’S FUTURE

While many factors influence the District’s future, the availability of funding for increased enrollment, staffing needs, facility improvements, the District’s financial condition and the economy will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the District’s administration during the process of developing the fiscal year 2016-2017 budget. The primary factors were the District’s projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for fiscal year 2017-2018. Budgeted expenditures in the General Fund increased approximately 2% to \$66,617,195 for fiscal year 2017-2018.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, Belleville Township School District, 102 Passaic Ave., Belleville, NJ 07109.

FINANCIAL STATEMENTS

BELLEVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,725,105	\$ 185,243	\$ 1,910,348
Receivables, Net	584,503	120,887	705,390
Internal Balances	15,958	(15,958)	-
Inventory		19,446	19,446
Restricted Assets			
Cash and Cash Equivalents with Fiscal Agent	784,340		784,340
Capital Assets, Not Being Depreciated	271,268		271,268
Capital Assets, Being Depreciated, Net	<u>10,279,772</u>	<u>101,892</u>	<u>10,381,664</u>
Total Assets	<u>13,660,946</u>	<u>411,510</u>	<u>14,072,456</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>6,404,540</u>	-	<u>6,404,540</u>
Total Deferred Outflows of Resources	<u>6,404,540</u>	-	<u>6,404,540</u>
Total Assets and Deferred Outflows of Resources	<u>20,065,486</u>	<u>411,510</u>	<u>20,476,996</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	1,569,597	176,670	1,746,267
Payable to Other Governments	92,815		92,815
Accrued Interest Payable	36,195		36,195
Unearned Revenue	65,244	9,475	74,719
Noncurrent Liabilities			
Due Within One Year	2,283,173		2,283,173
Due Beyond One Year	<u>27,909,500</u>	-	<u>27,909,500</u>
Total Liabilities	<u>31,956,524</u>	<u>186,145</u>	<u>32,142,669</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	1,969,331		1,969,331
Deferred Commodities Revenue	<u>-</u>	<u>7,017</u>	<u>7,017</u>
Total Deferred Inflows of Resources	<u>1,969,331</u>	<u>7,017</u>	<u>1,976,348</u>
Total Liabilities and Deferred Inflows of Resources	<u>33,925,855</u>	<u>193,162</u>	<u>34,119,017</u>
NET POSITION			
Net Investment in Capital Assets	7,066,551	101,892	7,168,443
Restricted for:			
Capital Projects	1,500,487		1,500,487
Plant Maintenance	193,656		193,656
Unrestricted	<u>(22,621,063)</u>	<u>116,456</u>	<u>(22,504,607)</u>
	<u>\$ (13,860,369)</u>	<u>\$ 218,348</u>	<u>\$ (13,642,021)</u>

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:							
Instruction:							
Regular	\$ 37,115,854	\$ 86,985	\$ 13,816,352	\$ 131,275	(23,081,242)		\$ (23,081,242)
Special Education	15,165,972	94,450	7,231,316		(7,840,206)		(7,840,206)
Other Instruction	4,457,171		1,679,592	13,809	(2,763,770)		(2,763,770)
School Sponsored Activities and Athletics	1,125,987				(1,125,987)		(1,125,987)
Support Services:							
Student & Instruction Related Services	10,249,971		3,302,227	9,900	(6,937,844)		(6,937,844)
General Administrative Services	2,305,809		117,448		(2,188,361)		(2,188,361)
School Administrative Services	7,664,156		2,305,954		(5,358,202)		(5,358,202)
Central Administrative Services	1,813,496		54,363		(1,759,133)		(1,759,133)
Plant Operations and Maintenance	6,853,846		328,142		(6,525,704)		(6,525,704)
Pupil Transportation	2,946,159		286,842		(2,659,317)		(2,659,317)
Interest on Long Term Debt	115,860	-	-	-	(115,860)	-	(115,860)
Total Governmental Activities	89,814,281	181,435	29,122,236	154,984	(60,355,626)	-	(60,355,626)
Business-Type Activities:							
Food Service	2,174,321	650,743	1,428,598	-	-	\$ (94,980)	(94,980)
Total Business-Type Activities	2,174,321	650,743	1,428,598	-	-	(94,980)	(94,980)
Total Primary Government	\$ 91,988,602	\$ 832,178	\$ 30,550,834	\$ 154,984	(60,355,626)	(94,980)	(60,450,606)

Continued
EXHIBIT A-2

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes:			
Levied for General Purposes	\$ 38,667,832	-	\$ 38,667,832
Unrestricted State & Federal Aid	22,523,414	-	22,523,414
Miscellaneous Income	161,086	\$ 536	161,622
 Total General Revenues	61,352,332	536	61,352,868
 Change in Net Position	996,706	(94,444)	902,262
 Net Position, Beginning of Year,	(14,857,075)	312,792	(14,544,283)
 Net Position, End of Year	\$ (13,860,369)	\$ 218,348	\$ (13,642,021)

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

FUND FINANCIAL STATEMENTS

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,461,174	\$ 20,521		\$ 1,481,695
Receivables From Other Governments	178,006	354,013		532,019
Due from Other Funds	97,674			97,674
Restricted Assets				
Cash and Cash Equivalents with Fiscal Agent	<u>-</u>	<u>-</u>	\$ 784,340	<u>784,340</u>
Total Assets	<u>\$ 1,736,854</u>	<u>\$ 374,534</u>	<u>\$ 784,340</u>	<u>\$ 2,895,728</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,078,425	\$ 234,223	\$ -	1,312,648
Accrued Salaries and Wages	13,539			13,539
Due to Other Funds		-	29,232	29,232
Payable to State Government	7,924	68,281		76,205
Payable to Federal Government	-	16,610		16,610
Unearned Revenue	<u>9,824</u>	<u>55,420</u>	<u>-</u>	<u>65,244</u>
Total Liabilities	<u>1,109,712</u>	<u>374,534</u>	<u>29,232</u>	<u>1,513,478</u>
Fund Balances				
Restricted				
Capital Reserve	1,386,149			1,386,149
Maintenance Reserve	193,656			193,656
Capital Projects			755,108	755,108
Assigned				
Year End Encumbrances	893,042			893,042
Unassigned	<u>(1,845,705)</u>	<u>-</u>	<u>-</u>	<u>(1,845,705)</u>
Total Fund Balances	<u>627,142</u>	<u>-</u>	<u>755,108</u>	<u>1,382,250</u>
Total Liabilities and Fund Balances	<u>\$ 1,736,854</u>	<u>\$ 374,534</u>	<u>\$ 784,340</u>	<u>\$ 2,895,728</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

Total Fund Balances - Governmental Funds (Exhibit B-1)	\$	1,382,250
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,300,171 and the accumulated depreciation is \$14,749,131.</p>		10,551,040
<p>Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources in the statement of the net position and amortized over future years.</p>		
Deferred Outflows of Resources	\$ 6,404,540	
Deferred Inflows of Resources	<u>(1,969,331)</u>	
		4,435,209
<p>The District has financed capital assets through the issuance of serial bonds, long-term lease obligations, and notes. The interest accrual at year end is:</p>		
		(36,195)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds</p>		
Capital Leases	4,125,259	
State Aid Advance Loan Payable	3,329,940	
Compensated Absences	1,549,016	
Net Pension Liability	<u>21,188,458</u>	
		<u>(30,192,673)</u>
Net Position of Governmental Activities (Exhibit A-1)	\$	<u><u>(13,860,369)</u></u>

BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Local sources:				
Property Tax Levy	\$ 38,667,832			\$ 38,667,832
Tuition	181,435			181,435
Miscellaneous	<u>157,046</u>	<u>\$ 27,923</u>	<u>\$ 2,994</u>	<u>187,963</u>
Total - Local Sources	39,006,313	27,923	2,994	39,037,230
State Sources	34,520,252	81,471		34,601,723
Federal Sources	<u>263,041</u>	<u>2,484,063</u>	<u>-</u>	<u>2,747,104</u>
Total Revenues	<u>73,789,606</u>	<u>2,593,457</u>	<u>2,994</u>	<u>76,386,057</u>
EXPENDITURES				
Instruction				
Regular	27,593,371	1,153,129		28,746,500
Special Education	12,033,592	1,119,868		13,153,460
Other Instruction	3,365,514	62,462		3,427,976
School Sponsored Activities and Athletics	1,042,918			1,042,918
Support Services				
Student and Instruction Related Services	8,227,875	103,014		8,330,889
General Administrative Services	2,171,704			2,171,704
School Administrative Services	6,030,603			6,030,603
Central Administrative Services	1,702,511			1,702,511
Plant Operations and Maintenance	5,866,137			5,866,137
Pupil Transportation	2,766,544			2,766,544
Debt Service				
Principal	1,830,984			1,830,984
Interest	68,145		43,827	111,972
Capital Outlay	<u>241,589</u>	<u>154,984</u>	<u>854,555</u>	<u>1,251,128</u>
Total Expenditures	<u>72,941,487</u>	<u>2,593,457</u>	<u>898,382</u>	<u>76,433,326</u>
Excess (Deficiency) of Revenues				
Over/(Under) Expenditures	848,119	-	(895,388)	(47,269)
Fund Balance (Deficit), Beginning of Year	<u>(220,977)</u>	<u>-</u>	<u>1,650,496</u>	<u>1,429,519</u>
Fund Balance, End of Year	<u>\$ 627,142</u>	<u>\$ -</u>	<u>\$ 755,108</u>	<u>\$ 1,382,250</u>

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (47,269)

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 outlay exceeded depreciation expense in the period.

Capital Outlays	\$ 1,251,128	
Depreciation Expense	<u>(1,099,629)</u>	151,499

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals donations) is to increase net position. These transactions are not reported in the governmental fund financial statements.

Loss on Disposal of Capital Assets		(26,335)
------------------------------------	--	----------

Repayment of debt 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.

Capital Lease Principal	1,414,741	
State Aid Advance Loan Payable	<u>416,243</u>	1,830,984

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 paid. The accrued interest is a decrease to the reconciliation. (-) (3,888)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) and pension expense are measured by the amounts earned or incurred 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 or incurred amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned or incurred amount the difference is an addition to the reconciliation (+).

Net Decrease in Compensated Absences	275,350	
Net Increase in Pension Expense	<u>(1,183,635)</u>	<u>(908,285)</u>

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 996,706

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2017**

	Business-Type Activities Enterprise Fund	Internal Service Fund Worker's Compensation Self-Insurance Fund
	Food Service	
ASSETS		
Cash and Cash Equivalents	\$ 185,243	\$ 243,410
Intergovernmental Receivable	105,255	
Other Accounts Receivable	15,632	
Inventories	19,446	-
	<hr/>	<hr/>
Total Current Assets	325,576	243,410
	<hr/>	<hr/>
Capital Assets		
Equipment	767,751	
Accumulated Depreciation	(665,859)	-
	<hr/>	<hr/>
Total Capital Assets, Net	101,892	-
	<hr/>	<hr/>
Total Assets	427,468	243,410
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities		
Accounts Payable	176,670	
Due To Other Funds	15,958	
Claims and Judgements Payable		192,969
Accrued Liability for Insurance Claims		50,441
Unearned Revenue	9,475	-
	<hr/>	<hr/>
Total Current Liabilities	202,103	243,410
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred Commodities Revenue	7,017	-
	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	209,120	243,410
	<hr/>	<hr/>
NET POSITION		
Investment in Capital Assets	101,892	
Unrestricted	116,456	-
	<hr/>	<hr/>
Total Net Position	\$ 218,348	\$ -
	<hr/>	<hr/>

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUND
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Fund	Internal Service Fund Worker's Compensation Self-Insurance Fund
	Food Service	
OPERATING REVENUES		
Local Sources		
Daily Sales - Reimbursable Programs	\$ 355,712	
Daily Sales - Non-Reimbursable Programs	291,504	
Special Events	3,527	-
	650,743	-
 Total Operating Revenues	 650,743	 -
OPERATING EXPENSES		
Salaries	707,718	
Employee Benefits	246,720	
Cost of Sales - Reimbursable Programs	765,614	
Cost of Sales - Non-Reimbursable Programs	136,701	
Repairs & Maintenance	15,813	
Supplies and Materials	81,015	
Other Purchased Services	44,702	
Management Fee	85,523	
Miscellaneous Expense	13,925	
Worker's Compensation Claims		1,046
Depreciation	76,590	-
	2,174,321	1,046
 Total Operating Expenses	 2,174,321	 1,046
 Operating Loss	 (1,523,578)	 (1,046)
 Nonoperating Revenues		
State Sources		
State School Lunch Program	23,475	
Federal Sources		
School Breakfast Program	99,885	
National School Lunch Program	1,155,546	
Food Distribution Program	149,692	
Interest Earnings	536	1,046
	1,429,134	1,046
 Total Nonoperating Revenues	 1,429,134	 1,046
 Changes in Net Position	 (94,444)	 -
 Total Net Position, Beginning of Year	 312,792	 -
 Total Net Position, End of Year	 \$ 218,348	 \$ -

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Fund	Internal Service Fund
	Food Service	Worker's Compensation Self-Insurance Fund
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 644,332	\$ -
Cash Received From District Contribution		-
Cash Payments for Employees Salaries and Benefits	(954,438)	
Cash Payments to Suppliers for Goods and Services	(790,830)	(115,561)
Net Cash (Used for) Operating Activities	(1,100,936)	(115,561)
Cash Flows from Noncapital Financing Activities		
Cash Received from (Paid to) Other Funds	(2,534)	-
Cash Received from State and Federal Subsidy Reimbursements	1,406,441	-
Net Cash Provided by Noncapital Financing Activities	1,403,907	-
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(34,238)	-
Net Cash (Used for) Capital and Related Financing Activities	(34,238)	-
Cash Flows from Investing Activities		
Interest Earnings Received	536	1,046
Net Cash Provided by Investing Activities	536	1,046
Net Increase (Decrease) in Cash and Cash Equivalents	269,269	(114,515)
Cash and Cash Equivalents (Overdraft), Beginning of Year	(84,026)	357,925
Cash and Cash Equivalents, End of Year	\$ 185,243	\$ 243,410
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities		
Operating Loss	\$ (1,523,578)	\$ (1,046)
Adjustments to Reconcile Operating Loss to Net Cash (Used for) Operating Activities		
Depreciation	76,590	
Non-Cash Federal Assistance-Food Distribution Program	149,692	
Change in Assets, Liabilities and Deferred Inflows of Resources		
(Increase)/Decrease in Accounts Receivable	14,405	
(Increase)/Decrease in Inventory	8,985	
Increase/(Decrease) in Accounts Payable	176,670	
Increase/(Decrease) in Claims and Judgements Payable		(60,162)
Increase/(Decrease) in Accrued Liability for Insurance Claims	-	(54,353)
Increase/(Decrease) in Unearned Revenue	1,067	
Increase/(Decrease) in Deferred Commodities Revenue	(4,767)	-
Total Adjustments	422,642	(114,515)
Net Cash (Used For) Operating Activities	\$ (1,100,936)	\$ (115,561)
Non-Cash Invest, Capital and Financing Activities:		
Value Received - Food Distribution Program	\$ 144,925	

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 19,049	\$ 597,463
Due from Other Funds	<u>19,024</u>	<u>-</u>
Total Assets	<u>\$ 38,073</u>	<u>\$ 597,463</u>
LIABILITIES		
Due to Student Groups		\$ 175,002
Intergovernmental Payable - State	\$ 16,975	
Payroll Deductions and Withholdings		350,953
Due to Other Funds	<u>-</u>	<u>71,508</u>
Total Liabilities	<u>\$ 16,975</u>	<u>\$ 597,463</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 21,098</u>	

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

		Unemployment Compensation <u>Trust Fund</u>
ADDITIONS		
Contributions		
District	\$	15,000
Employee		62,256
Investment Earnings		
Interest		<u>65</u>
Total Additions		<u>77,321</u>
DEDUCTIONS		
Unemployment Claims and Contributions		<u>130,239</u>
Total Deductions		<u>130,239</u>
Change in Net Position		(52,918)
Net Position, Beginning of Year		<u>74,016</u>
Net Position, End of Year	\$	<u><u>21,098</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Belleville Township School District (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Belleville Township School District this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the District-wide financial statements to emphasize that it is legally separate from the District.

B. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. 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.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. 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 established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address 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 post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. 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.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-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 Board of Education. All fiduciary activities are reported only in the fund financial statements. 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. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services 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, unrestricted state aid, federal and state grants for school-based budgeting and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the government reports the following fund types:

The *internal service fund* accounts for the activities of the District's self-insured worker's compensation program coverages provided to other departments or agencies of the District on a cost reimbursement basis.

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-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 with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash, Cash Equivalents and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables*

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. *Inventories*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. *Restricted Assets*

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and their use is limited by capital lease agreements for capital projects.

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	45
Building Improvements	10-25
Heavy Equipment	10
Office Equipment and Furniture	5
Computer Equipment	5

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

7. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. Pensions

In the district-wide financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. 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.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

9. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, government fund types report the face amount of debt issued as other financing sources.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. Net Position/Fund Balance

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2D.)

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education (See Note 2E).

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted or assigned to specific purposes within the governmental funds.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state and federal aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Tuition Revenues and Expenditures

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2015-2016 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

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. The principal operating revenues of the food service enterprise fund and of the District’s internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general and special revenue funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. The Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. 6:20-2A.2(m)1. The Board approved several budget transfers during 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$2,014,902. The increase was funded by additional appropriation of restricted fund balance, grant awards and the reappropriation of prior year general fund encumbrances. During the fiscal year the State Monitor authorized and approved an appropriation of \$190,000 of capital reserve fund balance in the general fund.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
General Administration			
Legal Services	\$ 742,387	\$ 765,500	\$(23,113)
Unallocated Benefits			
Health Benefits	7,607,736	7,677,901	(70,165)

The above variances were offset with other available resources.

C. Deficit Fund Equity

The District has an unassigned fund deficit of \$1,845,705 in the General Fund as of June 30, 2017 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed 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. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2016/2017 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$1,845,705 in the General Fund is less than the delayed state aid payments at June 30, 2017.

D. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	\$ 676,149
Increased by	
Approved by State Monitor	<u>900,000</u>
	1,576,149
Withdrawals	
Approved by State Monitor	<u>190,000</u>
Balance, June 30, 2017	<u><u>\$ 1,386,149</u></u>

The withdrawals from the capital reserve were for use in a facilities project, consistent with the district’s Long Range Facilities Plan.

E. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district’s school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	\$ -
Increased by	
Approved by State Monitor	<u>193,656</u>
Balance, June 30, 2017	<u><u>\$ 193,656</u></u>

The June 30, 2017 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$2,823,220.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$3,311,200 and bank and brokerage firm balances of the Board's deposits amounted to \$4,029,256. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" or "cash and cash equivalent with Fiscal Agent" are categorized as:

Depository Account

Insured	<u>\$ 4,029,256</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2017 none of the Board's bank balance was exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2017, the Board had no outstanding investments.

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2017 for the district's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Local		\$ 5,719		\$ 5,719
State	\$ 178,006	1,008	\$ 1,904	180,918
Federal		347,286	103,351	450,637
Accounts	-	-	15,632	15,632
Gross Receivables	178,006	354,013	120,887	652,906
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 178,006</u>	<u>\$ 354,013</u>	<u>\$ 120,887</u>	<u>\$ 652,906</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General Fund	
Prepaid Tuition Charges	\$ 9,824
Special Revenue Fund	
Unencumbered Grant Draw Downs	33,336
Grant Draw Down Reserve for Encumbrances	22,084
Total Unearned Revenue for Governmental Funds	<u>\$ 65,244</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	Balance, <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2017</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 225,057			\$ 225,057
Construction in Progress	<u>769,836</u>	\$ 866,781	\$ (1,590,406)	<u>46,211</u>
Total Capital Assets, Not Being Depreciated	<u>994,893</u>	<u>866,781</u>	<u>(1,590,406)</u>	<u>271,268</u>
Capital Assets, Being Depreciated:				
Land Improvements	13,670			13,670
Building and Building Improvements	19,651,307	1,590,406		21,241,713
Machinery and Equipment	<u>3,543,786</u>	<u>384,347</u>	<u>(154,613)</u>	<u>3,773,520</u>
Total Capital Assets Being Depreciated	<u>23,208,763</u>	<u>1,974,753</u>	<u>(154,613)</u>	<u>25,028,903</u>
Less Accumulated Depreciation for:				
Land Improvements	(2,049)	(683)	-	(2,732)
Buildings and Improvements	(11,235,937)	(739,350)	-	(11,975,287)
Machinery and Equipment	<u>(2,539,794)</u>	<u>(359,596)</u>	<u>128,278</u>	<u>(2,771,112)</u>
Total Accumulated Depreciation	<u>(13,777,780)</u>	<u>(1,099,629)</u>	<u>128,278</u>	<u>(14,749,131)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,430,983</u>	<u>875,124</u>	<u>(26,335)</u>	<u>10,279,772</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,425,876</u>	<u>\$ 1,741,905</u>	<u>\$ (1,616,741)</u>	<u>\$ 10,551,040</u>
	Balance, <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2017</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Equipment	\$ 733,513	\$ 34,238	-	\$ 767,751
Total Capital Assets Being Depreciated	<u>733,513</u>	<u>34,238</u>	<u>-</u>	<u>767,751</u>
Less Accumulated Depreciation for:				
Equipment	<u>(589,269)</u>	<u>(76,590)</u>	<u>-</u>	<u>(665,859)</u>
Total Accumulated Depreciation	<u>(589,269)</u>	<u>(76,590)</u>	<u>-</u>	<u>(665,859)</u>
Total Capital Assets, Being Depreciated, Net	<u>144,244</u>	<u>(42,352)</u>	<u>-</u>	<u>101,892</u>
Business-Type Activities Capital Assets, Net	<u>\$ 144,244</u>	<u>\$ (42,352)</u>	<u>\$ -</u>	<u>\$ 101,892</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:

Instruction	
Regular	\$ 377,386
Special Education	7,359
Total Instruction	<u>384,745</u>
Support Services	
Student and Instruction Related Services	9,456
General Administrative Services	6,274
School Administrative Services	79,195
Plant Operations and Maintenance	557,721
Pupil Transportation	62,238
Total Support Services	<u>714,884</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,099,629</u>

Business-Type Activities:

Food Service Fund	<u>\$ 76,590</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 76,590</u>

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2017:

<u>Project</u>	<u>Remaining Commitment</u>
Entry Portico Restoration at School No. 7	\$ 107,750
Roof Replacement Project at School No. 4	\$ 183,800

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	29,232
General Fund	Food Service Fund	15,958
General Fund	Payroll Agency Fund	52,484
Unemployment Compensation Trust Fund	Payroll Agency Fund	<u>19,024</u>
 Total		 <u>\$ 116,698</u>

The above balances are the result of revenues or receipts deposited in one fund which are due to another fund or expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

F. Leases

Operating Leases

The District leases copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2017 were \$55,936. The future minimum lease payments for these operating leases are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 67,124
2019	67,124
2020	67,124
2021	67,124
2022	<u>11,187</u>
 Total	 <u>\$ 279,683</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases

The District is leasing school buses, a roof renovation project, trucks, mower, technology and network upgrades and boiler replacements totaling \$7,920,214 under capital leases. The leases are for terms of 5 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Construction in Progress	\$ 46,211
Building Improvements	6,780,360
Machinery and Equipment	<u>452,873</u>
	<u>\$ 7,279,444</u>

The unexpended proceeds from capital leases in the amount of \$640,770 at June 30, 2017 are held with the Fiscal Agent.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2018	\$ 1,809,015
2019	1,220,797
2020	522,529
2021	522,529
2022	261,265
2013	<u>-</u>
Total minimum lease payments	4,336,135
Less: amount representing interest	<u>(210,876)</u>
Present value of minimum lease payments	<u>\$ 4,125,259</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

State Aid Advance Loan Payable

In March 2015, the Board entered into a loan agreement with the State of New Jersey in the amount of \$4,162,426 pursuant to N.J.S.A. 18A:7A-56 in the form of an advancement of state aid to provide funds to eliminate the unassigned budgetary fund deficit in the General Fund. The State aid advance loan is being repaid by the school district through automatic reductions in the State aid provided to the school district in each year. The term of the loan repayment is ten (10) years which began in the 2015/2016 school year at a minimum amount of \$416,243 per year, but may be for a shorter term as determined by the State Treasurer. At any time during the term of the repayment the State Treasurer, in consultation with the Commissioner of Education, may determine to impose interest on the unpaid balance. The State Treasurer has not imposed interest during the 2016/2017 school year.

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Year Ended <u>June 30,</u>	<u>State Aid Advance Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 416,243		\$ 416,243
2019	416,243		416,243
2020	416,243		416,243
2021	416,243		416,243
2022	416,243		416,243
2023-2025	<u>1,248,725</u>	<u>-</u>	<u>1,248,725</u>
Totals	<u>\$ 3,329,940</u>	<u>\$ -</u>	<u>\$ 3,329,940</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 109,971,672
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 109,971,672</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance, <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2017</u>	Due Within <u>One Year</u>
Governmental Activities:					
Capital Leases	\$ 5,540,000		\$ 1,414,741	\$ 4,125,259	\$ 1,712,030
Compensated Absences	1,824,366	\$ 64,033	339,383	1,549,016	154,900
State Aid Advance Loan Payable	3,746,183		416,243	3,329,940	416,243
Net Pension Liability	<u>18,772,248</u>	<u>3,051,772</u>	<u>635,562</u>	<u>21,188,458</u>	<u>-</u>
Governmental Activity Long-term Liabilities	<u>\$ 29,882,797</u>	<u>\$ 3,115,805</u>	<u>\$ 2,805,929</u>	<u>\$ 30,192,673</u>	<u>\$ 2,283,173</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities, the liabilities for capital leases, compensated absences, state aid advance loan and net pension liability are generally liquidated by the general fund.

J. Short-Term Debt

The Board's short-term activity for the fiscal year ended June 30, 2017 was as follows:

Loans Payable

The Board issues loans to temporarily finance the delayed state aid payment received subsequent to the fiscal year end. The Board's short-term debt activity for the fiscal year ended June 30, 2017 was as follows:

<u>General Fund</u>	Rate <u>%</u>	Maturity <u>Date</u>	Balance, <u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	Balance, <u>June 30, 2017</u>
Delayed State Aid	3.25%	7/8/2016	\$ 2,449,473	-	\$ 2,449,473	-
			<u>\$ 2,449,473</u>	<u>\$ -</u>	<u>\$ 2,449,473</u>	<u>\$ -</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

Prior to July 1, 2014, the District established a worker's compensation plan for its employees. Transactions related to the plan are accounted for in the Internal Services Fund. The District funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$450,000 for any one accident or occurrence. Any claims in excess of this amount are covered by insurance policies to the statutory limit.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

Estimates of claims payable and of claims incurred, but not reported (IBNR) at June 30, 2017, are reported as claims and judgments payable and accrued liability for insurance claims, respectively. These estimates were determined based on claim information supplied by the claims administrator and actuary. The unpaid claims liability of \$243,410 reported at June 30, 2017 is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities for the workmen’s compensation plan for the fiscal years ended June 30, 2017 and 2018 are as follows:

Governmental Activities:	<u>Fiscal Year Ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unpaid Claims, Beginning of Year	\$ 357,925	\$ 416,893
Incurred Claims (Including IBNR)	1,046	58,995
Claim Payments	<u>(115,561)</u>	<u>(117,963)</u>
Unpaid Claims, End of Year	<u>\$ 243,410</u>	<u>\$ 357,925</u>

The District is a member of the New Jersey School Insurance Group (NJSIG or Group). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the Group is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the Group, to report claims on a timely basis, cooperate with the management of the Group, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the Group. Members have a contractual obligation to fund any deficit of the Group attributable to a membership year during which they were a member.

NJSIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage’s in any of the prior three years.

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s fiduciary trust fund for the current and previous two years:

<u>Fiscal Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 15,000	\$ 62,256	\$ 130,239	\$ 21,098
2016	105,000	60,133	175,631	74,016
2015	422,729	55,956	480,001	84,405

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District, except for the following pending litigation.

Pending Litigation – Former Employee vs. Belleville Board of Education: This is an employment litigation in the United States District Court for the District of New Jersey that, although partly covered by insurance, contains significant uncovered claims. The former employee's complaint alleges, among other things, age and gender discrimination, political retaliation and an improper transfer. According to the expert report served by the plaintiff's attorneys, claim damages of \$1.7 million much of which would be uninsured. Discovery is nearing an end at the date of audit but no trial date has yet been set. In the opinion of the Board Attorney it is estimated the potential liability to the District in this case could exceed \$500,000. The District has encumbered \$475,000 in the general fund at June 30, 2017 for any potential liability that may arise from an unfavorable outcome to the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2017, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee’s annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 635,562	\$ 3,212,266	\$ 23,655
2016	718,955	2,388,926	27,407
2015	661,443	1,598,937	19,793

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

In addition for fiscal year 2016/2017 the District contributed \$1,648 for PERS and the State contributed \$5,962 for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,208,564 during the fiscal year ended June 30, 2017 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$21,188,458 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District’s proportionate share was 0.07154 percent, which was a decrease of 0.01209 percent from its proportionate share measured as of June 30, 2015 of 0.08363 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,819,197 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 394,041	
Changes of Assumptions	4,389,117	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	807,935	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>813,447</u>	<u>\$ 1,969,331</u>
Total	<u>\$ 6,404,540</u>	<u>\$ 1,969,331</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2018	\$ 1,059,443
2019	1,059,443
2020	1,283,252
2021	923,668
2022	<u>109,403</u>
	<u>\$ 4,435,209</u>

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. 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.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 3.98%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 25,963,982</u>	<u>\$ 21,188,458</u>	<u>\$ 17,245,849</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2016. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$17,636,150 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$234,722,770. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was 0.29838 percent, which was an increase of 0.00263 percent from its proportionate share measured as of June 30, 2015 of 0.29575 percent.

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 280,311,442</u>	<u>\$ 234,722,770</u>	<u>\$ 197,493,736</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512, retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$2,676,549, \$2,844,551 and \$2,538,314, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Tax Abatements

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

For Belleville Township School District, the District's share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

G. Subsequent Event

On November 7, 2017, the voters of the Belleville Township School District approved a \$48,536,610 referendum authorizing the District to issue bonds and/or notes to finance various capital improvements and upgrades to all District schools, consisting of safety and security improvements, enhancement of exterior structures, improvements and upgrade to infrastructure and building systems and other improvements to create long-term efficiencies throughout the District. The referendum project includes \$24,148,600 of project costs eligible for State of New Jersey debt service aid. As of the date of audit, the Board has not sold Bonds or Notes in conjunction with these projects.

BUDGETARY COMPARISON SCHEDULES

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 38,667,832		\$ 38,667,832	\$ 38,667,832	
Tuition From Individuals	245,700		245,700	86,985	\$ (158,715)
Tuition From Other LEAs Within the State	-		-	94,450	94,450
Unrestricted Miscellaneous Revenues	<u>27,000</u>	<u>-</u>	<u>27,000</u>	<u>157,046</u>	<u>130,046</u>
Total Local Revenues	<u>38,940,532</u>	<u>-</u>	<u>38,940,532</u>	<u>39,006,313</u>	<u>65,781</u>
State Sources					
Special Education Aid	2,880,246		2,880,246	2,880,246	-
Equalization Aid	21,896,193		21,896,193	21,896,193	-
Security Aid	332,971		332,971	332,971	-
Transportation Aid	221,550		221,550	221,550	-
Under Adequacy Aid	500,000		500,000	500,000	-
PARCC Readiness Aid	47,430		47,430	47,430	-
Per Pupil Growth Aid	47,430		47,430	47,430	-
Professional Learning Community Aid	45,960		45,960	45,960	-
Extraordinary Special Education Costs Aid	531,771		531,771	389,131	(142,640)
Nonpublic School Transportation Costs				67,338	67,338
On-Behalf TPAF Contributions (Non-Budgeted)					
Pension Benefit Contribution				3,099,948	3,099,948
Pension - NCGI Premium				112,318	112,318
Post Retirement Medical Benefit Contribution				2,676,549	2,676,549
Long Term Disability Insurance				5,962	5,962
Reimbursed Social Security Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,208,564</u>	<u>2,208,564</u>
Total State Revenues	<u>26,503,551</u>	<u>-</u>	<u>26,503,551</u>	<u>34,531,590</u>	<u>8,028,039</u>
Federal Sources					
FEMA				14,891	14,891
Special Education Medicaid Initiative Reimbursement	87,144	-	87,144	242,935	155,791
SEMI-ARRA	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,215</u>	<u>5,215</u>
	<u>87,144</u>	<u>-</u>	<u>87,144</u>	<u>263,041</u>	<u>175,897</u>
Total Revenues	<u>65,531,227</u>	<u>-</u>	<u>65,531,227</u>	<u>73,800,944</u>	<u>8,269,717</u>
CURRENT EXPENDITURES					
Regular Programs - Instruction					
Salaries of Teachers					
Kindergarten	1,152,084	\$ (17,726)	1,134,358	1,126,386	7,972
Grades 1-5	5,930,183	(295,451)	5,634,732	5,610,004	24,728
Grades 6-8	3,273,939	155,123	3,429,062	3,415,240	13,822
Grades 9-12	7,335,955	60,325	7,396,280	7,393,869	2,411
Regular Programs - Home Instruction					
Salaries of Teachers	125,000	98,955	223,955	223,955	-
Purchased Professional-Educational Services	100,000	(37,400)	62,600	54,510	8,090
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	44,151	6,829	50,980	50,611	369
Purchased Technical Services	5,000	-	5,000	5,000	-
Other Purchased Services	2,080	321	2,401	2,401	-
General Supplies	338,640	83,583	422,223	394,784	27,439
Textbooks	335,570	215,761	551,331	551,331	-
Other Objects	<u>20</u>	<u>5,934</u>	<u>5,954</u>	<u>5,954</u>	<u>-</u>
Total Regular Programs	<u>18,642,622</u>	<u>276,254</u>	<u>18,918,876</u>	<u>18,834,045</u>	<u>84,831</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Special Education					
Learning / Language Disabilities					
Salaries of Teachers	\$ 562,609	\$ 62,693	\$ 625,302	\$ 625,302	-
Other Salaries for Instruction	312,047	134,122	446,169	446,169	-
General Supplies	4,000	(2,574)	1,426	1,426	-
Total Learning / Language Disabilities	878,656	194,241	1,072,897	1,072,897	-
Behavioral Disabilities					
Salaries of Teachers	138,647	3,103	141,750	140,185	\$ 1,565
Other Salaries for Instruction	77,866	22,764	100,630	100,630	-
General Supplies	2,000	(625)	1,375	1,375	-
Total Behavioral Disabilities	218,513	25,242	243,755	242,190	1,565
Multiple Disabilities					
Salaries of Teachers	181,041	39,484	220,525	220,525	-
Other Salaries for Instruction	154,131	(11,238)	142,893	142,893	-
General Supplies	1,500	(1,500)	-	-	-
Total Multiple Disabilities	336,672	26,746	363,418	363,418	-
Resource Room / Resource Center					
Salaries of Teachers	2,390,741	(25,594)	2,365,147	2,365,147	-
Other Salaries for Instruction	479,903	(19,916)	459,987	459,987	-
General Supplies	17,500	(11,796)	5,704	5,704	-
Total Resource Room / Resource Center	2,888,144	(57,306)	2,830,838	2,830,838	-
Autism					
Salaries of Teachers	196,219	98,866	295,085	294,860	225
Other Salaries for Instruction	155,863	129,268	285,131	284,564	567
General Supplies	3,000	12,517	15,517	12,259	3,258
Total Autism	355,082	240,651	595,733	591,683	4,050
Preschool Disabilities - Part - Time					
General Supplies	1,800	4,871	6,671	4,907	1,764
Total Preschool Disabilities - Part - Time	1,800	4,871	6,671	4,907	1,764
Preschool Disabilities - Full - Time					
Salaries of Teachers	171,053	145,486	316,539	316,057	482
Other Salaries for Instruction	381,599	(73,095)	308,504	307,854	650
General Supplies	500	760	1,260	445	815
Total Preschool Disabilities - Full - Time	553,152	73,151	626,303	624,356	1,947
Home Instruction					
Salaries of Teachers	60,000	31,963	91,963	91,963	-
Total Home Instruction	60,000	31,963	91,963	91,963	-
Total Special Education	5,292,019	539,559	5,831,578	5,822,252	9,326

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Basic Skills/Remedial					
Salaries of Teachers	\$ 1,212,580	\$ 209,085	\$ 1,421,665	\$ 1,420,161	\$ 1,504
General Supplies	<u>1,000</u>	<u>(244)</u>	<u>756</u>	<u>-</u>	<u>756</u>
Total Basic Skills/Remedial	<u>1,213,580</u>	<u>208,841</u>	<u>1,422,421</u>	<u>1,420,161</u>	<u>2,260</u>
Bilingual Education					
Salaries of Teachers	897,426	(18,119)	879,307	877,371	1,936
General Supplies	<u>6,869</u>	<u>-</u>	<u>6,869</u>	<u>-</u>	<u>6,869</u>
Total Bilingual Education	<u>904,295</u>	<u>(18,119)</u>	<u>886,176</u>	<u>877,371</u>	<u>8,805</u>
School Sponsored Co-Curricular Activities					
Salaries	134,782	30,448	165,230	165,065	165
Purchased Services	-	4,993	4,993	4,993	-
Other Objects	<u>385</u>	<u>359</u>	<u>744</u>	<u>744</u>	<u>-</u>
Total School Sponsored Co-Curricular Activities	<u>135,167</u>	<u>35,800</u>	<u>170,967</u>	<u>170,802</u>	<u>165</u>
School Sponsored Athletics - Instruction					
Salaries	397,579	65,163	462,742	460,258	2,484
Purchased Services	113,745	(48,284)	65,461	65,321	140
Supplies and Materials	48,873	14,307	63,180	61,813	1,367
Other Objects	<u>48,893</u>	<u>(1,956)</u>	<u>46,937</u>	<u>41,775</u>	<u>5,162</u>
Total School Sponsored Athletics - Instruction	<u>609,090</u>	<u>29,230</u>	<u>638,320</u>	<u>629,167</u>	<u>9,153</u>
Total - Instruction	<u>26,796,773</u>	<u>1,071,565</u>	<u>27,868,338</u>	<u>27,753,798</u>	<u>114,540</u>
Undistributed Expenditures					
Instruction (Tuition)					
Tuition - Other LEA's Within State - Reg.	-	1,733	1,733	1,177	556
Tuition - Other LEA's Within State - Special	420,807	87,247	508,054	483,165	24,889
Tuition to County Vocational School District-Reg.	156,760	11,112	167,872	167,872	-
Tuition to County Vocational School/Dist.-Spec.	32,501	26,676	59,177	59,177	-
Tuition to County Special Services - School Districts & Regional Day Schools	16,550	319,639	336,189	336,189	-
Tuition to Private Schools - Disabled Within State	3,733,197	(980,049)	2,753,148	2,739,749	13,399
Tuition - State Facilities	4,500	-	4,500	4,500	-
Tuition - Other	<u>32,000</u>	<u>29,409</u>	<u>61,409</u>	<u>54,083</u>	<u>7,326</u>
Total Undistributed Expenditures - Instruction	<u>4,396,315</u>	<u>(504,233)</u>	<u>3,892,082</u>	<u>3,845,912</u>	<u>46,170</u>
Attendance and Social Work Services					
Salaries	<u>56,942</u>	<u>(56,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Attendance and Social Work Services	<u>56,942</u>	<u>(56,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Health Services					
Salaries	\$ 840,874	\$ 62,712	\$ 903,586	\$ 903,077	\$ 509
Purchased Professional and Technical Services	46,915	12,792	59,707	58,055	1,652
Other Purchased Services	5,892	(3,042)	2,850	2,850	-
Supplies and Materials	<u>18,960</u>	<u>(7,702)</u>	<u>11,258</u>	<u>9,812</u>	<u>1,446</u>
Total Health Services	<u>912,641</u>	<u>64,760</u>	<u>977,401</u>	<u>973,794</u>	<u>3,607</u>
Speech, OT, PT and Related Services					
Salaries	663,075	23,621	686,696	686,438	258
Purchased Professional - Educational Services	678,707	(100,000)	578,707	574,265	4,442
Supplies and Materials	<u>80</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>80</u>
Total Speech, OT, PT and Related Services	<u>1,341,862</u>	<u>(76,379)</u>	<u>1,265,483</u>	<u>1,260,703</u>	<u>4,780</u>
Other Support Services-Students-Extra Services					
Salaries	192,000	(93,228)	98,772	98,099	673
Purchased Professional-Educational Services	<u>794,097</u>	<u>(59,256)</u>	<u>734,841</u>	<u>703,187</u>	<u>31,654</u>
Total Other Support Services-Extra	<u>986,097</u>	<u>(152,484)</u>	<u>833,613</u>	<u>801,286</u>	<u>32,327</u>
Guidance					
Salaries of Other Professional Staff	900,103	(42,029)	858,074	856,718	1,356
Salaries of Secretarial and Clerical Assistants	144,748	8,301	153,049	152,885	164
Purchased Professional-Educational Services	35,520	(2,260)	33,260	33,260	-
Supplies and Materials	<u>12,461</u>	<u>(5,785)</u>	<u>6,676</u>	<u>5,868</u>	<u>808</u>
Total Guidance	<u>1,092,832</u>	<u>(41,773)</u>	<u>1,051,059</u>	<u>1,048,731</u>	<u>2,328</u>
Child Study Team					
Salaries of Other Professional Staff	1,409,464	77,174	1,486,638	1,477,776	8,862
Salaries of Secretarial and Clerical Assistants	162,527	(274)	162,253	162,253	-
Other Purchased Professional and Technical Services	20,192	(334)	19,858	31	19,827
Residential Costs	593	(593)	-	-	-
Other Purchased Services	-	1,171	1,171	1,171	-
Miscellaneous Purchased Services	12,725	-	12,725	12,205	520
Supplies and Materials	20,687	16,508	37,195	37,195	-
Other Objects	<u>29,177</u>	<u>(26,242)</u>	<u>2,935</u>	<u>2,935</u>	<u>-</u>
Total Child Study Team	<u>1,655,365</u>	<u>67,410</u>	<u>1,722,775</u>	<u>1,693,566</u>	<u>29,209</u>
Improvement of Instruction Services					
Salaries of Other Professional Staff	<u>5,600</u>	<u>36,000</u>	<u>41,600</u>	<u>30,264</u>	<u>11,336</u>
Total Improvement of Instruction Services	<u>5,600</u>	<u>36,000</u>	<u>41,600</u>	<u>30,264</u>	<u>11,336</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Educational Media Services/School Library					
Salaries	\$ 293,338	\$ (18,698)	\$ 274,640	\$ 273,959	\$ 681
Supplies and Materials	37,500	(3,349)	34,151	32,642	1,509
Total Educational Media Services/School Library	<u>330,838</u>	<u>(22,047)</u>	<u>308,791</u>	<u>306,601</u>	<u>2,190</u>
Instructional Staff Training Services					
Purchased Professional - Educational Services	23,500	(23,500)	-	-	-
Other Purchased Services	12,000	(12,000)	-	-	-
Total Instructional Staff Training Services	<u>35,500</u>	<u>(35,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Support Services General Administration					
Salaries	462,072	(23,536)	438,536	438,536	-
Salaries of Fiscal Monitors	146,520	(18,024)	128,496	128,496	-
Repayment of Principal -NJ DOE Loan	416,243	-	416,243	416,243	-
Legal Services	380,000	362,387	742,387	765,500	(23,113)
Audit Fees	110,000	4,176	114,176	68,189	45,987
Architectural/Engineering Services	110,000	(6,500)	103,500	57,059	46,441
Other Purchased Professional Services	60,030	(16,995)	43,035	43,035	-
Communications/Telephone	90,900	(35,000)	55,900	37,330	18,570
BOE Other Purchased Services	3,800	(153)	3,647	3,647	-
Miscellaneous Purchased Services	287,590	(10,561)	277,029	276,589	440
General Supplies	4,806	(747)	4,059	4,042	17
BOE In-House Training/Meeting Supplies	700	(650)	50	50	-
Judgments Against the School District	164,515	371,100	535,615	40,993	494,622
Miscellaneous Expenditures	8,598	14,441	23,039	23,039	-
BOE Membership Dues and Fees	29,953	544	30,497	30,497	-
Total Support Services General Administration	<u>2,275,727</u>	<u>640,482</u>	<u>2,916,209</u>	<u>2,333,245</u>	<u>582,964</u>
Support Services School Administration					
Salaries of Principals/Asst. Principals/Prog. Dir.	2,222,003	(254,550)	1,967,453	1,928,585	38,868
Salaries of Other Professional Staff	692,477	751,637	1,444,114	1,411,760	32,354
Salaries of Secretarial and Clerical Assistants	883,065	(125,486)	757,579	754,704	2,875
Other Purchased Services	40,197	50,978	91,175	90,395	780
Supplies and Materials	39,000	(4)	38,996	29,049	9,947
Other Objects	2,819	(2,819)	-	-	-
Total Support Services School Administration	<u>3,879,561</u>	<u>419,756</u>	<u>4,299,317</u>	<u>4,214,493</u>	<u>84,824</u>
Central Services					
Salaries	523,349	(75,558)	447,791	447,752	39
Purchased Technical Services	32,760	(13,608)	19,152	19,152	-
Miscellaneous Purchased Services	36,500	(1,263)	35,237	29,413	5,824
Supplies and Materials	7,500	3,888	11,388	11,388	-
Interest on Lease Purchase Agreements	118,005	(49,860)	68,145	68,145	-
Miscellaneous Expenditures	5,150	35,009	40,159	39,774	385
Total Central Services	<u>723,264</u>	<u>(101,392)</u>	<u>621,872</u>	<u>615,624</u>	<u>6,248</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Administration Information Technology					
Salaries	\$ 256,919	\$ (48,469)	\$ 208,450	\$ 208,399	\$ 51
Purchased Technical Services	400,000	202,152	602,152	601,738	414
Other Purchased Services	75,000	(32,117)	42,883	36,058	6,825
Supplies and Materials	65,000	(13,801)	51,199	48,604	2,595
Total Administration Information Technology	796,919	107,765	904,684	894,799	9,885
Required Maintenance for School Facilities					
Salaries	406,550	78,775	485,325	485,325	-
Cleaning, Repair & Maintenance Services	149,319	(16,793)	132,526	127,811	4,715
General Supplies	140,000	47,593	187,593	154,649	32,944
Total Required Maintenance for School Facilities	695,869	109,575	805,444	767,785	37,659
Custodial Services					
Salaries	2,003,896	7,466	2,011,362	2,011,362	-
Purchased Professional and Technical Services	4,220	621	4,841	4,841	-
Cleaning, Repair and Maintenance Services	144,039	20,620	164,659	131,189	33,470
Other Purchased Property Services	65,400	(2,950)	62,450	62,070	380
Insurance	314,838	(18,559)	296,279	296,279	-
Miscellaneous Purchased Services	563	(313)	250	250	-
General Supplies	62,344	23,022	85,366	60,915	24,451
Energy (Natural Gas)	230,000	4,548	234,548	201,109	33,439
Energy (Electricity)	600,000	(106,000)	494,000	490,334	3,666
Other Objects	3,169	(175)	2,994	2,614	380
Total Custodial Services	3,428,469	(71,720)	3,356,749	3,260,963	95,786
Care and Upkeep of Grounds					
Salaries	92,774	1,012	93,786	93,786	-
Cleaning, Repair and Maintenance Services		6,672	6,672	5,792	880
General Supplies	-	3,166	3,166	3,166	-
Total Care and Upkeep of Grounds	92,774	10,850	103,624	102,744	880
Security					
Salaries	352,280	97,560	449,840	448,107	1,733
Purchased Professional and Technical Services	90,000	12,000	102,000	102,000	-
General Supplies	1,341	2,766	4,107	3,999	108
Total Security	443,621	112,326	555,947	554,106	1,841
Student Transportation Services					
Salaries of Non-Instructional Aides	346,000	18,572	364,572	337,205	27,367
Salaries for Pupil Transportation (Between Home and School) - Regular	195,445	(49,458)	145,987	144,256	1,731
Salaries for Pupil Transportation (Between Home and School) - Special	275,000	(7,461)	267,539	267,539	-
Salaries for Pupil Transportation (Other Than Between Home & School)	103,318	42,538	145,856	134,573	11,283
Management Fee - ESC & CTSA Trans. Prog.	60,040	4,963	65,003	42,948	22,055
Cleaning, Repair and Maintenance Services	46,455	18,776	65,231	64,075	1,156
Contracted Services - Aid in Lieu Payments - Non-Public	367,082	(30,402)	336,680	322,791	13,889
Contracted Services (Other Than Between Home and School) - Vendors	50,000	-	50,000	42,705	7,295
Contracted Services (Spec Ed) - Joint Agreements	17,000	(6,116)	10,884	10,884	-
Contracted Services (Spec Ed) - ESC's & CTSA's	1,202,571	-	1,202,571	988,268	214,303
Miscellaneous Purchased Services - Transportation	8,000	(8,000)	-	-	-
Transportation Supplies	115,000	60,058	175,058	61,443	113,615
Miscellaneous Expenditures	11,500	(4,026)	7,474	6,574	900
Total Student Transportation Services	2,797,411	39,444	2,836,855	2,423,261	413,594

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits					
Social Security Contributions	\$ 770,472	\$ 113,891	\$ 884,363	\$ 878,652	\$ 5,711
Other Retirement Contributions - PERS	719,000	(81,790)	637,210	637,210	-
Other Retirement Contributions - Regular	34,681	(4,942)	29,739	29,031	708
Unemployment Compensation	105,000	(78,567)	26,433	15,000	11,433
Workmen's Compensation	466,621	(53,362)	413,259	400,819	12,440
Health Benefits	8,673,028	(1,065,292)	7,607,736	7,677,901	(70,165)
Tuition Reimbursement	50,000	(10,879)	39,121	39,121	-
Other Employee Benefits	247,753	(195,253)	52,500	52,500	-
Unused Sick Payment to Terminated/Retired Staff	83,445	411,809	495,254	339,383	155,871
Total Unallocated Benefits	<u>11,150,000</u>	<u>(964,385)</u>	<u>10,185,615</u>	<u>10,069,617</u>	<u>115,998</u>
On Behalf TPAF Contributions (Non Budgeted)					
Pension Benefit Contribution		-		3,099,948	(3,099,948)
Pension -NCGI Premium				112,318	(112,318)
Post Retirement Medical Benefit Contribution		-		2,676,549	(2,676,549)
Long Term Disability Insurance				5,962	(5,962)
Reimbursed Social Security Contribution	-	-	-	2,208,564	(2,208,564)
Total On-Behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,103,341</u>	<u>(8,103,341)</u>
Total Undistributed Expenditures	<u>37,097,607</u>	<u>(418,487)</u>	<u>36,679,120</u>	<u>43,300,835</u>	<u>(6,621,715)</u>
Total Expenditures - Current Expenditures	<u>63,894,380</u>	<u>653,078</u>	<u>64,547,458</u>	<u>71,054,633</u>	<u>(6,507,175)</u>
CAPITAL OUTLAY					
Equipment					
Instructional Equipment		2,341	2,341	2,341	-
Grades 1-5		7,095	7,095	7,095	
Grades 9-12		-	-	-	-
Undistributed Expenditures		-	-	-	
School Buses - Special	-	278,150	278,150	219,927	58,223
Total Equipment	<u>-</u>	<u>287,586</u>	<u>287,586</u>	<u>229,363</u>	<u>58,223</u>
Facilities Acquisition and Construction Services					
Architectural / Engineering Services		24,000	24,000	12,226	11,774
Construction Services	-	166,000	166,000	-	166,000
Lease Purchase Agreements - Principal	1,562,668	(130,736)	1,431,932	1,414,741	17,191
Assessment for Debt Service on SDA Funding	22,935	-	22,935	22,935	-
Total Facilities Acquisition and Construction Services	<u>1,585,603</u>	<u>59,264</u>	<u>1,644,867</u>	<u>1,449,902</u>	<u>194,965</u>
Total Capital Outlay	<u>1,585,603</u>	<u>346,850</u>	<u>1,932,453</u>	<u>1,679,265</u>	<u>253,188</u>
SUMMER SCHOOL - INSTRUCTION					
Salaries of Teachers	-	16,134	16,134	16,134	-
Total Summer School - Instruction	<u>-</u>	<u>16,134</u>	<u>16,134</u>	<u>16,134</u>	<u>-</u>
Transfer of Funds to Charter Schools	51,244	140,211	191,455	191,455	-
Total Expenditures	<u>65,531,227</u>	<u>1,156,273</u>	<u>66,687,500</u>	<u>72,941,487</u>	<u>(6,253,987)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,156,273)</u>	<u>(1,156,273)</u>	<u>859,457</u>	<u>2,015,730</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	\$ -	\$ (1,156,273)	\$ (1,156,273)	\$ 859,457	\$ 2,015,730
Fund Balances, Beginning of Year	<u>2,653,300</u>	<u>-</u>	<u>2,653,300</u>	<u>2,653,300</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,653,300</u>	<u>\$ (1,156,273)</u>	<u>\$ 1,497,027</u>	<u>\$ 3,512,757</u>	<u>\$ 2,015,730</u>
Recapitulation					
Restricted					
Capital Reserve				\$ 1,386,149	
Maintenance Reserve				193,656	
Assigned					
Year End Encumbrances				893,042	
Unassigned					
				<u>1,039,910</u>	
Fund Balance Per State Budgetary Basis of Accounting				3,512,757	
Reconciliation to Governmental Funds Statements (GAAP)					
Less State Aid Revenue Not Recognized on GAAP Basis				<u>(2,885,615)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 627,142</u>	

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APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

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

_____, 2018

The Board of Education of the
Township of Belleville
Belleville, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$48,536,000 aggregate principal amount of School Bonds, Series 2018 (the "Bonds") of The Board of Education of the Township of Belleville in the County of Essex, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the "Education Law"); (ii) a proposal adopted by the Board on August 30, 2017 (the "Proposal") and approved by the affirmative vote of a majority of the legal voters present and voting at the annual election held on November 7, 2017 and (iii) a resolution adopted by the Board on February 26, 2018 (the "Resolution").

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

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing September 1, 2018 and semi-annually thereafter on the first day of March and September in each year until maturity or prior redemption, and shall mature on September 1 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$2,526,000		2031	\$1,915,000	
2020	1,370,000		2032	1,990,000	
2021	1,405,000		2033	2,065,000	
2022	1,450,000		2034	2,150,000	
2023	1,495,000		2035	2,235,000	
2024	1,540,000		2036	2,325,000	
2025	1,585,000		2037	2,420,000	
2026	1,635,000		2038	2,520,000	
2027	1,685,000		2039	2,625,000	
2028	1,735,000		2040	2,740,000	
2029	1,795,000		2041	2,740,000	
2030	1,850,000		2042	2,740,000	

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

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

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

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

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

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

[The Bonds maturing on September 1 in the years 20__ through 20__, inclusive (the “[Premium] Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

[We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on September 1 in the years 20__ through 20__ (the “[Discount] Bonds”) and their initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the [Discount] Bonds was sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the [Discount] Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each [Discount] Bond and the basis of each [Discount] Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of _____, 2018 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Township of Belleville in the County of Essex, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$48,536,000 aggregate principal amount of School Bonds, Series 2018 dated their date of delivery (the "Bonds"). The Bonds are being by virtue of a proposal adopted by the Board on August 30, 2017 and approved by the affirmative vote of a majority of the legal voters present and voting at the annual election held on November 7, 2017 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$48,536,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2018 OF THE BOARD OF EDUCATION OF THE TOWNSHIP OF BELLEVILLE IN THE COUNTY OF ESSEX, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on February 26, 2018 (the "Bond Resolution"). The Board covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

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

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

“State” shall mean the State of New Jersey.

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

SECTION 3. Provision of Annual Reports. (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2018 (for the fiscal year ending June 30, 2018), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2019) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

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

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

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

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

- (1) The audited financial statements of the Board.

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

- (2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated March 8, 2018, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

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

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;

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

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

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

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

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

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

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

SECTION 7. Compliance with the Rule. The Board has no prior undertakings and therefor has no filing requirements in accordance with the Rule.

SECTION 8. Dissemination Agent; Compensation. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the

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

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be

deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent.

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

SECTION 13. Beneficiaries.

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

SECTION 14. Notices.

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

- (a) If to the Board of Education:

The Board of Education of the
Township of Belleville
102 Passaic Avenue
Belleville, New Jersey 07109
Attention: Business Administrator/Board Secretary

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

The Board of Education of the
Township of Belleville
102 Passaic Avenue
Belleville, New Jersey 07109
Attention: Business Administrator/Board Secretary

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

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF BELLEVILLE**

By: _____
MATTHEW J. PALADINO,
Business Administrator/
Board Secretary

EXHIBIT A

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

Name of Issuer: The Board of Education of the
 Township of Belleville
 in the County of Essex, New Jersey

Name of Issue: \$48,536,000 School Bonds, Series 2018
 Dated: _____, 2018
 (CUSIP Number: _____)

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of _____, 2018 executed by the Board.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board

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