

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 30, 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.*

**\$7,751,000**

**SCHOOL BONDS, SERIES 2018**

**THE BOARD OF EDUCATION OF THE WESTWOOD REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF BERGEN, NEW JERSEY  
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

**CALLABLE**

**NON-BANK-QUALIFIED**

**Dated: Date of Delivery**

**Due: September 15, as shown on inside cover**

The \$7,751,000 aggregate principal amount of School Bonds, Series 2018 (the "Bonds"), of The Board of Education of the Westwood Regional School District in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. 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 fifteenth day of March and September in each year, commencing September 15, 2019, 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 September 1 and March 1 (the "Record Dates" for the payment of interest on the Bonds).

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., 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 Fogarty & Hara, Fair Lawn, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about September 20, 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 DAYLIGHT SAVING TIME ON SEPTEMBER 6, 2018. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNI.HUB.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.

**\$7,751,000**  
**THE BOARD OF EDUCATION OF THE**  
**WESTWOOD REGIONAL SCHOOL DISTRICT**  
**IN THE COUNTY OF BERGEN, NEW JERSEY**  
**SCHOOL BONDS, SERIES 2018**

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

**CALLABLE**  
**NON-BANK-QUALIFIED**

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

<u>Maturity</u> <u>(September 15)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers*</u>
2019	\$201,000			961811__
2020	375,000			961811__
2021	375,000			961811__
2022	400,000			961811__
2023	400,000			961811__
2024	400,000			961811__
2025	400,000			961811__
2026	400,000			961811__
2027	400,000			961811__
2028	400,000			961811__
2029	400,000			961811__
2030	400,000			961811__
2031	400,000			961811__
2032	400,000			961811__
2033	400,000			961811__
2034	400,000			961811__
2035	400,000			961811__
2036	400,000			961811__
2037	400,000			961811__
2038	400,000			961811__

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\* A registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ. 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  
WESTWOOD REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF BERGEN, NEW JERSEY**

**BOARD MEMBERS**

President – Susan Swietkowski  
Vice President – Joseph Blundo

Andrew Gerstmayr  
Roberta Hanlon  
Stephen Kalish  
Paul Liddy  
Darlene Mandeville  
Joseph McCallister  
Maria Straight

**SUPERINTENDENT**

Dr. Raymond A. Gonzalez

**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Keith A. Rosado

**BOARD ATTORNEY**

Fogarty & Hara  
Fair Lawn, 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.

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**OFFICIAL STATEMENT**

**OF**

**THE BOARD OF EDUCATION OF THE  
WESTWOOD REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF BERGEN, NEW JERSEY**

**\$7,751,000**

**SCHOOL BONDS, SERIES 2018**

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

**CALLABLE  
NON-BANK-QUALIFIED**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Westwood Regional School District in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$7,751,000 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 15 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the fifteenth day of March and September (each an "Interest Payment Date"), commencing on September 15, 2019, in each of the years and at the interest rates set forth on the inside cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each September 1 and March 1 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

### **Redemption**

The Bonds of this issue maturing prior to September 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after September 15, 2026 are redeemable at the option of the Board in whole or in part on any date on or after September 15, 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 of New Jersey (the "State") agrees that the Treasurer of 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) proposals adopted by the Board on August 24, 2017, and approved by the affirmative vote of a majority of the legal voters present and voting at the annual school district election held on December 12, 2017 and (iii) a resolution duly adopted by the Board on July 19, 2018 (the "Resolution").

The proceeds of the Bonds will be used to finance an approximate \$23 million renovation and expansion of the Middle School in the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The Bonds represent the only long term debt to be issued in connection with the Project with the remainder of the Project being funded with Capital Reserve. The State has awarded the School District aid for the Project in the amount of 40% of the eligible costs of such Project. As such, the State has agreed to pay 40% 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](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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

#### **Discontinuance of Book-Entry Only System**

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

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

### **THE SCHOOL DISTRICT AND THE BOARD**

The Board is a nine (9) member board with members elected for staggered three (3) year terms. Five (5) of the Board members are elected from the Borough of Westwood (the "Borough") and four (4) are elected from the Township of Washington (the "Township", and together with the Borough, the "Constituent Municipalities"). Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary.

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. The School District is comprised of the Constituent Municipalities. The School District operates six (6) school buildings which consist of four (4) elementary schools, one (1) middle school and one (1) junior/senior high school. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and The Board of Education of the Westwood Regional School District in the County of Bergen, New Jersey."

### **THE STATE'S ROLE IN PUBLIC EDUCATION**

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

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

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

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner with the advice and consent of the State Senate. The County Superintendent is the local representative of the Commissioner. The County Superintendent is responsible for the daily supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, 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. As of the 2012-13 budget year, the Board holds its 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 Board of Education of the Westwood Regional School District in the County of Bergen, 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.

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Legislation"). In particular, the SFRA Modification Legislation revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Legislation also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Legislation, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a six-year transition period during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Legislation, the transition period to increase funding will be one year.

### **SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS**

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

### **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

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

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

The authorized bonded indebtedness of each of the Constituent Municipalities 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 Constituent Municipalities 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 Westwood Regional School District 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, Fogarty & Hara, Fair Lawn, New Jersey (the "Board Attorney"), without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, 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, without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, 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 15 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 15 in the years 20\_\_ through 20\_\_, inclusive (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the [Discount] Bonds, the amount of such original issue discount which is treated as having accrued with respect to the [Discount] Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the [Discount] Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

### **Additional Federal Income Tax Consequences Relating to Bonds**

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

Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

### **State Taxation**

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

### **Prospective Tax Law Changes**

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

### **Other Tax Consequences**

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

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

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

### **RISK TO HOLDERS OF BONDS**

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

### **Municipal Bankruptcy**

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

The undertakings of the Board should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision,

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

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

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

#### **APPROVAL OF LEGAL PROCEEDINGS**

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

#### **PREPARATION OF OFFICIAL STATEMENT**

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

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

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

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

The Board Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the

caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

## **RATINGS**

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

## **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 \$7,751,000.00, 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 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 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").

Within the five (5) years immediately preceding the date of this Official Statement, the Board previously failed to file, in accordance with the SEC Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ended June 30, 2013, 2014 and 2015; and (ii) operating data for the fiscal years ended June 30, 2013, 2014 and 2015. Additionally, the Board previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial

information; and (ii) operating data, all as described above, and late filing notices and/or event notices in connection with certain rating changes in 2014. Such notices of events and late filing have since been filed with EMMA. The Board, in efforts to assist in future compliance with the SEC Rule, appointed Phoenix Advisors, LLC in March of 2016 to serve as continuing disclosure agent.

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Keith A. Rosado, (201) 664-0990, ext. 2004 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 WESTWOOD  
REGIONAL SCHOOL DISTRICT IN THE COUNTY OF  
BERGEN, NEW JERSEY**

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**KEITH A. ROSADO,  
Business Administrator/Board Secretary**

**DATED: \_\_\_\_\_, 2018**

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**APPENDIX A**

**Certain Economic and Demographic Information Relating to the  
School District and The Board of Education of the  
Westwood Regional School District  
in the County of Bergen, New Jersey**

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**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING  
TO THE SCHOOL DISTRICT AND THE BOARD OF EDUCATION OF THE  
WESTWOOD REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF BERGEN, NEW JERSEY**

**Summary**

The Board of Education of the Westwood Regional District in the County of Bergen, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed thereby) is a Type II School District comprised of the Borough of Westwood (the “Borough”), and the Township of Washington (the “Township”). It functions independently through a nine (9) member board. The Board appoints a Superintendent who is responsible for the budgeting, planning and operational functions of the School District. The Board operates a Pre-Kindergarten (Pre-K) through grade twelve (12) School District which houses its students in one (1) junior/senior high school, one (1) middle school, and four (4) elementary schools. The schools include classrooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, cafeterias and gymnasiums.

**SCHOOL DISTRICT ENROLLMENT**

<b><u>Fiscal</u> <u>Year</u></b>	<b><u>Total</u> <u>School District</u> <u>Enrollment</u><sup>1</sup></b>	<b><u>Fiscal</u> <u>Year</u></b>	<b><u>Total</u> <u>School District</u> <u>Enrollment</u><sup>1</sup></b>
2017-2018	2,871	2012-2013	2,680
2016-2017	2,778	2011-2012	2,705
2015-2016	2,734	2010-2011	2,725
2014-2015	2,735	2009-2010	2,731
2013-2014	2,688	2008-2009	2,715

**Staff<sup>1</sup>**

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. As of June 30, 2018, the School District employed the following staff (including part-time employees):

<b><u>Description</u></b>	
Instruction .....	280
Student and Instruction Related Services.....	95
Administrators and Professionals.....	68
Custodial/Maintenance and Other.....	33
Total .....	476

**Labor Relations<sup>2</sup>**

The Board’s contract with the Westwood Education Association which includes teachers, educational assistants, administrative assistants and custodial workers expires on June 30, 2020. The Board also has settled contract with the Westwood Administrators Association which expires June 30, 2021 and the Westwood Building and Grounds Association which expires June 30, 2019.

<sup>1</sup> Source: Business Administrator/Board Secretary; Board records

<sup>2</sup> Source: Business Administrator/Board Secretary; Board records

## Comparison of General Fund Revenues and Appropriations – Budgetary Basis

	(Budget) Fiscal Year <u>2018-2019**</u>	(Budget) Fiscal Year <u>2017-2018</u>	(Actual) Fiscal Year <u>2016-2017</u>	(Actual) Fiscal Year <u>2015-2016</u>
<b>REVENUES</b>				
Budgeted Fund Balance	\$ 1,553,941	\$ 1,421,231		
Withdrawal from Capital Reserve	13,097,000			
Local Sources:				
Local Tax Levy	52,679,699	51,021,500	\$ 50,021,078	\$ 48,430,869
Tuition	50,000	50,000	52,500	48,700
Rents and Royalties	21,000	21,000	21,601	21,513
Interest	10,000	50,000	116,501	72,137
Miscellaneous Revenues	87,680	70,000	314,091	347,100
Federal Sources	7,320	26,350	9,247	8,832
State Sources	<u>2,041,361</u>	<u>1,742,225</u>	<u>2,313,032</u>	<u>2,377,915</u>
 TOTAL REVENUES	 <u>\$ 69,548,001</u>	 <u>\$ 54,402,306</u>	 <u>\$ 52,848,050</u>	 <u>\$ 51,307,066</u>
 <b>APPROPRIATIONS</b>				
Instruction:				
Regular Programs	\$ 15,835,098	\$ 15,398,873	\$ 15,012,236	\$ 14,112,718
Special Education	4,297,827	4,041,576	3,818,568	3,072,836
Basic Skills/Remedial	395,485	386,977	375,914	495,183
Bilingual Education	338,920	332,402	327,322	309,111
School-Sponsored Co/Extra-curricular Activities	220,502	212,348	209,551	211,741
School-Sponsored Athletics	912,834	955,838	785,855	807,902
Instructional Alternative Ed Program				-
Undistributed Expenditures:				
Instruction (Tuition)	3,008,814	3,043,546	2,606,746	2,586,248
Attendance and Social Work Services	1,545	1,500	1,581	1,500
Health Services	636,160	613,184	603,844	641,453
Speech, OT, PT, Related & Extra Svcs.	4,130,152	3,581,478	3,019,234	3,413,425
Guidance	1,218,786	1,186,748	1,093,096	1,042,066
Child Study Team	1,351,166	1,170,953	1,193,324	1,106,254
Improvement of Instructional Services	676,495	672,948	714,603	625,835
Educational Media/School Library	1,187,305	1,252,386	1,246,605	1,342,732
Instructional Staff Training	178,650	134,205	31,090	44,372
General Administration	1,336,023	1,367,411	923,849	944,692
School Administration	2,453,649	2,282,429	2,205,710	2,075,588
Central Services and Admin. Info. Technology	841,850	773,444	681,544	738,318
Operations and Maintenance of Plant Services	4,904,971	4,302,940	3,714,312	3,564,750
Student Transportation Services	1,671,996	1,794,290	1,318,144	1,289,877
Personnel Services - Employee Benefits	<u>10,510,554</u>	<u>10,245,440</u>	<u>8,541,908</u>	<u>7,778,925</u>
 Capital Outlay	 <u>56,108,782</u>	 <u>53,750,916</u>	 <u>48,425,036</u>	 <u>46,205,526</u>
	<u>13,439,219</u>	<u>651,390</u>	<u>894,863</u>	<u>382,536</u>
 TOTAL APPROPRIATIONS/EXPENDITURES	 <u>\$ 69,548,001</u>	 <u>\$ 54,402,306</u>	 49,319,899	 46,588,062
Other Financing Sources/Uses			(435,617)	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)			3,092,534	4,719,004
Fund Balance, Beginning of Year			<u>20,470,706</u>	<u>15,751,702</u>
Fund Balance, End of Year			<u>\$ 23,563,240</u>	<u>\$ 20,470,706</u>

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

\*\* The budget includes \$13,097,000 from Capital Reserve being transferred to the Debt Service Fund for repayment of a Note. This Note was used to fund certain capital projects approved by the voters of the District in December 2017.

### School District Debt Limit and Borrowing Margin<sup>3</sup>

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 Borough, the Township and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Borough and 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	\$ 3,685,529,845
2016	3,665,155,506
2017	<u>3,799,566,973</u>
	<u>\$ 11,150,252,324</u>
Average for the Three (3) Year Period	<u>\$ 3,716,750,775</u>
School District Borrowing Margin (4.0% of \$3,716,750,775)	148,670,031
Net School Debt as of December 31, 2017	<u>35,656,670</u>
Available School District Borrowing Margin	<u>\$ 113,013,361</u>

### COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT AS OF DECEMBER 31, 2017<sup>3</sup>

Net Debt of School District as of December 31, 2017	\$ 35,656,670
Overlapping Debt of School District:	
Township of Washington	9,083,103
Borough of Westwood	15,806,143
County of Bergen	26,908,756
Bergen County Utilities Authority	<u>4,399,859</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 91,854,531</u>

### School District Tax Levy and Collections<sup>4</sup>

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected</u>	
		<u>Amount</u>	<u>Percentage</u>
2017	\$ 50,863,213	\$ 50,863,213	100.00%
2016	49,215,145	49,214,145	100.00%
2015	48,358,593	48,358,593	100.00%
2014	47,430,313	47,430,313	100.00%
2013	47,196,516	47,196,516	100.00%

<sup>3</sup> Source: The 2017 Annual Debt Statement for the Borough of Westwood and Township of Washington

<sup>4</sup> Source: The Westwood Regional School District Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2017

**TOWNSHIP OF WASHINGTON**

## **GENERAL INFORMATION REGARDING THE TOWNSHIP**

### **Size and Geographical Location**

The Township of Washington is located in the north-central part of Bergen County, New Jersey, and is situated between the Village of Ridgewood and the Boroughs of Westwood, Hillsdale, Paramus, and Ho-Ho-Kus. The Township is approximately 16 miles from New York City. The terrain is high and well drained. The area of the Township is approximately 3.25 square miles.

### **Characteristics of the Community**

The Township is a predominantly residential suburban community with most residences being owner occupied, single family house or, townhouse-type dwellings. The scarcity of land combined with the favorable tax rate has resulted in high land values. There is no manufacturing or other industry in the Township, and very little undeveloped land. The Township has, however, a central business district and some professional and commercial offices.

### **Transportation**

The Township is in close proximity to New Jersey Transit which offers direct rail service to Hoboken. From there, service is available to New York City via Port Authority Trans Hudson Railroad (PATH). There is express bus transportation to New York City and additional bus services to Paterson, Newark, and other nearby cities.

### **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 five council-members who are elected at large for four-year overlapping terms. Council meetings are open to the public, and are held in the Township's Council Chambers on the first and third Monday of each month.

### **Board of Health**

The Township's Board of Health provides health care services for the Township and three other municipalities through an inter-local Joint Health Services Contract.

### **Recreation**

The Department of Recreation offers numerous recreational activities for its residents. The Township sponsors football, basketball, softball, cheerleading, summer recreation, wrestling, teen center, special need program and lacrosse. All programs are sponsored by the Township through budget appropriations.

### **Library**

The Township, under the direction of a Library Board of Trustees, operates its own library, housed in a structure of its own. It continually increases its volumes for the needs of its residents. Through the Bergen County Cooperative Library System, the residents of the Township have access to the collections of other libraries within the County.

### **Municipal Facilities**

The Department of Municipal Facilities maintains the Township streets and roads, parks, buildings and grounds. To make sure the above are maintained properly, the Township updates the equipment on a constant basis along with an active preventative maintenance program.

## Sanitation

The Township provides for the pick-up of comingled materials and paper products. The Township also has a shared services agreement with the neighboring Borough of Westwood for electronic recycling. Residents pay for their own sanitation collection directly to the private sanitation company.

The Township is fully sewerred and a member of the Bergen County Utilities Authority. Recyclables are collected semi-monthly by a private recycling company. The cost of providing and maintaining the sewer and recycling services are included in the Township's municipal budget.

## Protection

The Township is served by a Police Department with an up-to-date vehicle fleet. The Township is served by a volunteer fire company which operates pumper fire trucks, a ladder truck, a rescue truck, and other vehicles.

## Utilities

Electricity and gas are supplied by Public Service Electric & Gas Company. Water is supplied from the Suez Water and/or private wells.

## Population Trends<sup>5</sup>

Population trends for the Township, County of Bergen and the State of New Jersey since 1980 are shown below:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
Township of Washington	9,550	9,245	8,938	9,102	9,393
County of Bergen	845,385	825,380	884,118	905,116	948,406
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	9,005,644

## Income as of 2016<sup>6</sup>

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Township of Washington	\$113,963	\$133,313	\$50,188
County of Bergen	88,487	107,465	44,978
State of New Jersey	73,702	90,757	37,538

<sup>5</sup> Source: State of New Jersey, Data Center, Census Data

<sup>6</sup> Source: U.S. Census Bureau – 2012-2016 American Community Survey 5-Year Estimates

## Employment and Unemployment Data<sup>7</sup>

The New Jersey Department of Labor reported the following annual average employment information for the Township, the County of Bergen and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township of Washington</u></b>				
2017	4,744	4,562	182	3.8%
2016	4,753	4,556	197	4.1%
2015	4,757	4,543	214	4.5%
2014	4,704	4,471	233	5.0%
2013	4,666	4,322	344	7.4%
<b><u>County of Bergen</u></b>				
2017	483,324	464,527	18,797	3.9%
2016	484,248	463,959	20,289	4.2%
2015	483,915	461,124	22,791	4.7%
2014	479,448	453,688	25,760	5.4%
2013	477,410	443,734	33,676	7.1%
<b><u>State of New Jersey</u></b>				
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,530,800	4,305,500	225,300	5.0%
2015	4,537,200	4,274,700	262,500	5.8%
2014	4,518,700	4,218,400	300,300	6.3%
2013	4,537,800	4,166,000	371,800	8.2%

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<sup>7</sup> Source: State of New Jersey Data Center

**STATEMENT OF STATUTORY NET DEBT  
FOR THE TOWNSHIP OF WASHINGTON<sup>8</sup>  
AS OF DECEMBER 31, 2017**

**GENERAL PURPOSES**

Bonds and Notes Issued and Outstanding	
Bonds	\$ 1,247,000
Notes	4,770,579
Bonds and Notes Authorized But Not Issued	<u>3,112,908</u>
	\$ 9,130,487

**REGIONAL SCHOOL**

Debt Issued and Outstanding	5,566,537
Bonds Authorized and Not Issued	<u>11,304,197</u>
	<u>16,870,734</u>

TOTAL GROSS DEBT 26,001,221

**STATUTORY DEDUCTIONS**

Municipal Debt	47,384
School Debt	<u>16,870,734</u>
	<u>16,918,118</u>

TOTAL NET DEBT \$ 9,083,103

**OVERLAPPING DEBT**

County of Bergen (Note 1)	\$ 12,834,053
Bergen County Utilities Authority (Note 2)	<u>1,880,512</u>

TOTAL OVERLAPPING DEBT \$ 14,714,565

**GROSS DEBT**

Per Capita (2017 - 9,393)	\$2,768
Percent of Net Valuation Taxable (2018 - \$1,623,978,045)	1.60%
Percent of Estimated True Value of Real Property (2018 - \$1,799,283,499)	1.45%

**NET MUNICIPAL DEBT**

Per Capita (2017 - 9,393)	\$967
Percent of Net Valuation Taxable (2018 - \$1,623,978,045)	0.56%
Percent of Estimated True Value of Real Property (2018 - \$1,799,283,499)	0.50%

**OVERALL DEBT (Gross and Overlapping Debt)**

Per Capita (2017 - 9,393)	\$4,335
Percent of Net Valuation Taxable (2018 - \$1,623,978,045)	2.51%
Percent of Estimated True Value of Real Property (2018 - \$1,799,283,499)	2.26%

Note 1: Overlapping debt was computed based upon the real property ratio of equalized valuations of the Township to all municipalities within the County, as provided in the 2017 Abstract of Ratables published by the Bergen County Board of Taxation.

Note 1: Overlapping debt was computed based upon usage.

<sup>8</sup> Source: Washington Township's 2017 Annual Audit Report



## Ten Largest Taxpayers<sup>9</sup>

The ten largest taxpayers in the Township and their 2018 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Washington Town Center, LLC	\$ 10,139,200
Washington Town Center, LLC	5,988,300
Binghampton/Washington Tennis Club	5,798,500
TJ Realty, LLC	5,465,000
Ormon, LLC	3,539,000
Washington Town Center, LLC	2,638,800
Washington Town Center, LLC	2,617,700
Grove City, LLC	2,049,700
Resident	1,974,400
Resident	<u>1,388,300</u>
	<u>\$ 41,598,900</u>

Percentage of 2018 Assessed Valuation: 2.56%

## Assessed Valuations/Land and Improvements by Class<sup>10</sup>

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2018	\$ 9,235,900	\$ 1,564,636,800	\$ 49,365,000	\$ 1,623,237,700
2017	9,429,400	1,560,673,000	49,365,000	1,619,467,400
2016	8,167,400	1,559,767,100	48,744,900	1,616,679,400
2015	8,224,800	1,560,619,000	48,794,300	1,617,638,100
2014	8,392,400	1,564,076,500	48,794,300	1,621,263,200

## Assessed Valuations/Net Valuation Taxable<sup>11</sup>

<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>
2018	\$ 1,623,237,700	\$ 740,345	\$ 1,623,978,045	90.31%	\$ 1,799,283,499
2017	1,619,467,400	973,490	1,620,440,890	92.83%	1,746,668,795
2016	1,616,679,400	972,363	1,617,651,763	92.92%	1,741,972,286
2015	1,617,638,100	1,030,412	1,618,668,512	94.95%	1,705,837,347
2014	1,621,263,200	1,004,352	1,622,267,552	97.87%	1,658,747,501

<sup>9</sup> Tax Assessor

<sup>10</sup> Tax Duplicates

<sup>11</sup> Bergen County Abstract of Ratables

**Components of Real Estate Tax Rate (per \$100 of Assessment)<sup>12</sup>**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Regional School</u>	<u>County</u>
2018	\$2.363	\$0.552	\$1.540	\$0.271
2017	2.325	0.551	1.503	0.271
2016	2.270	0.540	1.470	0.260
2015	2.232	0.555	1.426	0.251
2014	2.212	0.587	1.387	0.238

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<sup>12</sup> Tax Collector

**BOROUGH OF WESTWOOD**

## **GENERAL INFORMATION**

### **Size and Geographical Location**

The Borough of Westwood is a medium sized residential and light industrial community located in the north central part of Bergen County, New Jersey and is situated 10 miles west of New York City.

The Borough is approximately 2.40 square miles in area and borders the Boroughs of Hillsdale and Emerson, and the Townships of Washington and River Vale.

### **Governmental Structure**

The Borough of Westwood, incorporated in the year 1894, is governed by a separately elected Mayor and Borough Council. The Borough Council consists of six Councilmembers, each of whom is elected by the voters. The Mayor's term is for a four year period and each of the Councilmembers for a three year period with two Council positions being voted upon each year. Appointments and committee-member selections are made at the Annual Reorganization Meeting, generally held during the first week of January in each year. Appointments and committee selections are made as provided for by statutes and ordinances governing these matters.

The Borough Council meets on the first and third Tuesday of each month, designated as the Council work sessions and the fourth Tuesday at the regular meeting. Additional special meetings are called dependent on such circumstances that may arise and make them necessary. All meetings are open to the public in compliance with New Jersey's Sunshine Law. At the work sessions the public's role is normally limited to that of an observer. At the regular meetings, citizens are given an opportunity to speak on matters of concern to them during a portion of the meeting for that purpose. On proposed ordinances the public also has an opportunity to be heard.

The executive power of the Borough is exercised by the Mayor and the Borough Council. Administrative functions for implementing policies of the Borough are exercised by the Borough Administrator in conjunction with the department heads. Each Councilmember acts as a liaison to specific departments. These departments are: Department of Public Works/Buildings and Grounds, Police, Fire, Fire Prevention, Finance, Recreation, Welfare, Code Enforcement, Municipal Court, Library, Tax Assessor and Board of Health. Day to day functions are under the direction of the Borough Administrator. Also present and available on a part time basis is the Chief Financial Officer and on a full time basis, the Borough Clerk.

### **Transportation**

Railroad transportation is provided by New Jersey Transit which is easily accessible at the station located in the center of the Borough. Two bus lines provide excellent service throughout the metropolitan area.

The Borough residents have quick and easy access to all parts of New Jersey and New York via Route 17, Route 4, Garden State Parkway, Palisades Parkway, New Jersey Turnpike and Interstate 80.

### **Utilities**

Electricity and gas are supplied to the Borough by Public Service Electric and Gas Company. Suez Water supplies water to the Borough.

### **Public Safety**

The Police Department consists of regular officers and detectives and operates marked vehicles, unmarked vehicles, a motorcycle and a DWI trailer.

The Borough is served by a volunteer Fire Department and operates 2 pumpers, 1 ladder truck, 1 rescue truck, and 2 chief's vehicles. A direct control alarm system with each fireman through the Police Department ensures immediate response.

Free ambulance and rescue service to the public is provided on a 24 hour a day basis.

**Sanitation**

The Borough provides garbage collection and recycling pick-up for all homes on a weekly basis. The Borough contracts with a private scavenger for garbage and recycling collection services. Payment for garbage and recyclables collection services is part of the general property tax levy.

The Borough is approximately 99% sewerred and is a member of the Bergen County Utilities Authority. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This service charge is part of the general property tax levy.

**Recreation**

The Borough has a year round community recreation program. It is administered by a full time staff and a Recreation Director.

Located in the Borough are 2 Little League Fields, 4 softball fields, a soccer field, a baseball field, football field, 12 municipal parks and 7 playgrounds maintained by Borough employees. In addition, the County of Bergen maintains a public park facility in the Borough.

**Free Public Library**

The Borough's Free Public Library is a full service library for the residents of the Borough. Through the Bergen County Cooperative Library System, the residents of the Township have access to the collections of other libraries within the County. The Library also provides access to a collection of ebooks and other digital media as well as access to several subscription databases. The Library provides a full calendar of programs for children through senior citizens including story times, concerts, films, book groups, computer training, English as a Second language classes and more. In addition, the Library's community room, when not in use by the Library, is available for meetings and classes by outside organizations.

**Westwood Parking Authority**

The Borough has contracted with the Westwood Parking Authority for the operation and maintenance of parking facilities within the municipality. There are approximately 788 metered parking spaces located in parking lots as well as in the commercial areas under the auspices of the Authority.

**Population Trends<sup>13</sup>**

Population trends for the Borough, the County of Bergen and the State of New Jersey since 1980 are shown below:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
Borough of Westwood	10,714	10,446	10,999	10,908	11,326
County of Bergen	845,385	825,380	884,118	905,116	948,406
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	9,005,644

<sup>13</sup> Source: State of New Jersey, Data Center, Census Data

**Income as of 2016<sup>14</sup>**

	<b><u>Median Household Income</u></b>	<b><u>Median Family Income</u></b>	<b><u>Per Capita Income</u></b>
Borough of Westwood	\$89,817	\$114,528	\$44,518
County of Bergen	88,487	107,465	44,978
State of New Jersey	73,702	90,757	37,538

**Employment and Unemployment Data<sup>15</sup>**

The New Jersey Department of Labor reported the following annual average employment information for the Borough, the County of Bergen and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough of Westwood</u></b>				
2017	5,987	5,772	215	3.6%
2016	5,993	5,765	228	3.8%
2015	6,004	5,740	264	4.4%
2014	5,936	5,639	297	5.0%
2013	5,938	5,562	376	6.3%
<b><u>County of Bergen</u></b>				
2017	483,324	464,527	18,797	3.9%
2016	484,248	463,959	20,289	4.2%
2015	483,915	461,124	22,791	4.7%
2014	479,448	453,688	25,760	5.4%
2013	477,410	443,734	33,676	7.1%
<b><u>State of New Jersey</u></b>				
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,530,800	4,305,500	225,300	5.0%
2015	4,537,200	4,274,700	262,500	5.8%
2014	4,518,700	4,218,400	300,300	6.3%
2013	4,537,800	4,166,000	371,800	8.2%

<sup>14</sup> Source: U.S. Census Bureau – 2012-2016 American Community Survey 5-Year Estimates

<sup>15</sup> Source: State of New Jersey Data Center

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF WESTWOOD<sup>16</sup>  
AS OF DECEMBER 31, 2017**

**GENERAL PURPOSES**

Bonds Issued and Outstanding	\$ 13,391,000	
Bond Anticipation Notes	2,384,000	
Loans	628,564	
Bonds and Notes Authorized But Not Issued	<u>534,052</u>	
		\$ 16,937,616

**REGIONAL SCHOOL**

Bonds, Notes & Loans Issued and Outstanding	6,198,463	
Bonds Authorized and Not Issued	<u>12,587,433</u>	
		<u>18,785,896</u>

TOTAL GROSS DEBT 35,723,512

**STATUTORY DEDUCTIONS**

Municipal Purpose	205,428	
Regional School	<u>18,785,896</u>	
		<u>18,991,324</u>

TOTAL NET DEBT \$ 16,732,188

**OVERLAPPING DEBT**

County of Bergen (Note 1)	14,074,703	
Bergen County Utilities Authority (Note 2)	<u>2,519,347</u>	
		<u>\$ 16,594,050</u>

**GROSS DEBT**

Per Capita (2017 - 11,326)	\$3,154
Percent of Net Valuation Taxable (2018 - \$1,938,439,300)	1.84%
Percent of Estimated True Value of Real Property (2018- \$1,945,643,230)	1.84%

**NET MUNICIPAL DEBT**

Per Capita (2017 - 11,326)	\$1,477
Percent of Net Valuation Taxable (2018 - \$1,938,439,300)	0.86%
Percent of Estimated True Value of Real Property (2018- \$1,945,643,230)	0.86%

**OVERALL DEBT (Net and Overlapping Debt)**

Per Capita (2017 - 11,326)	\$2,942
Percent of Net Valuation Taxable (2018 - \$1,938,439,300)	1.72%
Percent of Estimated True Value of Real Property (2018- \$1,945,643,230)	1.71%

Note 1: Overlapping debt was computed based upon the real property ratio of equalized valuations of the Borough to all municipalities within the County, as provided in the 2017 Abstract of Ratables published by the Bergen County Board of Taxation.

Note 2: Overlapping debt was computed based upon usage.

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<sup>16</sup> Source: Westwood's 2017 Annual Audit Report

## Ten Largest Taxpayers<sup>17</sup>

The ten largest taxpayers in the Borough and their 2018 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Hackensack UMC at Pascack Valley	\$ 91,947,000
CPF Westwood LLC	51,555,400
First Real Estate Investment Trust of NJ	37,125,400
Westwood Hills LLC	32,023,200
Puccio III LLC	16,112,500
Westwood Charles Coventry LP	14,962,300
WW Madison Realty LLC NJ	12,220,500
PVP Westwood LLC	10,666,700
Westwood CTR Stanford	10,459,100
WVA, LLC	9,937,300
	<u>\$ 287,009,400</u>

Percentage of 2018 Assessed Valuation: 14.81%

## Assessed Valuations/Land and Improvements by Class<sup>18</sup>

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
2018 (1)	\$ 5,929,300	\$ 1,300,533,900	\$ 422,372,000	\$ 162,231,200	\$ 47,372,900	\$ 1,938,439,300
2017 (1)	6,223,500	1,273,972,000	391,335,600	158,839,500	45,352,400	1,875,723,000
2016	7,147,900	1,205,065,900	350,549,500	147,279,400	38,708,500	1,748,751,200
2015	7,368,600	1,200,032,600	348,573,600	147,154,400	39,265,100	1,742,394,300
2014	7,757,300	1,198,836,400	348,075,100	147,777,600	39,282,700	1,741,729,100

(1) The Borough underwent a reassessment of real property for 2017 and 2018.

## Assessed Valuations/Net Valuation Taxable<sup>19</sup>

<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>
2018 (1)	\$ 1,938,439,300	\$ -	\$ 1,938,439,300	100.00%	\$ 1,945,643,230
2017 (1)	1,875,723,000	-	1,875,723,000	98.31%	1,915,516,833
2016	1,748,751,200	-	1,748,751,200	89.60%	1,959,278,249
2015	1,742,394,300	-	1,742,394,300	92.55%	1,890,191,779
2014	1,741,729,100	-	1,741,729,100	94.57%	1,849,951,310

(1) The Borough underwent a reassessment of real property for 2017 and 2018.

<sup>17</sup> Tax Assessor

<sup>18</sup> Tax Duplicates

<sup>19</sup> Bergen County Abstract of Ratables



**Components of Real Estate Tax Rate (per \$100 of Assessment)<sup>20</sup>**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Regional School</u>	<u>County</u>
2018 (1)	\$2.483	\$0.801	\$1.434	\$0.248
2017 (1)	2.509	0.812	1.441	0.256
2016	2.627	0.847	1.505	0.275
2015	2.544	0.817	1.475	0.252
2014	2.492	0.787	1.458	0.247

(1) The Borough underwent a reassessment of real property for 2017 and 2018.

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<sup>20</sup> Tax Collector

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**APPENDIX B**

**Financial Statements of The Board of Education of the  
Westwood Regional School District  
in the County of Bergen, 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  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA

## **INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Trustees  
Westwood Regional School District  
Washington Township, 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 Westwood Regional 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 Westwood Regional 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 December 5, 2017 on our consideration of the Westwood Regional 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 Westwood Regional 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 Westwood Regional 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  
December 5, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

This section of the Westwood Regional 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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

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

- The assets and deferred outflows of resources of the Westwood Regional School District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$28,788,697 (net position).
- Overall district-wide revenues were \$72,104,819. General revenues accounted for \$51,655,726 or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$20,449,093 or 28% of total revenues.
- The school district had \$67,749,323 in expenses for governmental activities; only \$19,432,381 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$51,653,883 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 \$23,621,856.
- The General Fund fund balance at June 30, 2017 was \$22,957,691, an increase of \$3,242,148 when compared with the beginning balance at July 1, 2016.



**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

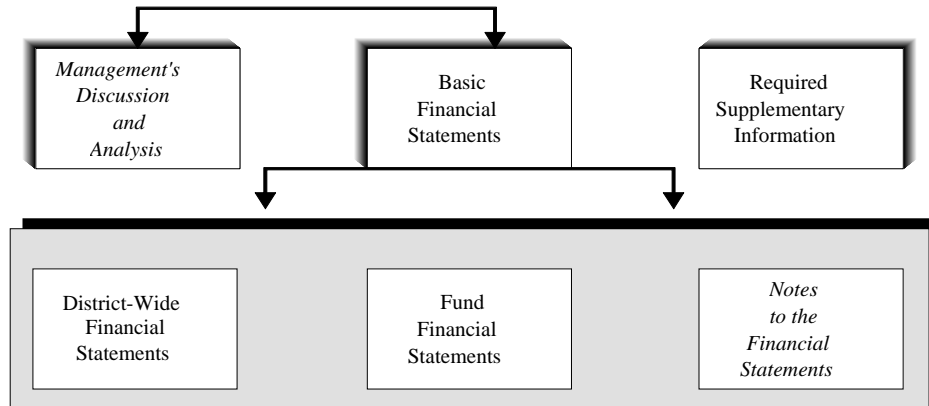
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's 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 financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The chart below shows how the various parts of this annual report are arranged and related to one another.



**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

**Management’s Discussion and Analysis  
For the 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 regular and special education, building maintenance	Activities the district operates similar to private businesses: enterprise funds Food Service Summer Enrichment	Instances in which the district administers resources on behalf of someone else, such as Unemployment, Payroll Agency, and Student Activities
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenue, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes 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, deferred inflows/outflows of resources and liability information	All assets, deferred inflows/outflows of resources and liabilities, 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 thereafter; no capital assets or long-term liabilities included	All assets, deferred inflows of resources and liabilities, 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.
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 financial 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, 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 they have changed. Net position – the difference between the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District’s financial health or position.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

**District-wide financial statements (continued)**

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position 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.

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 operations and maintenance. Property taxes and state aids finance most of these activities.
- *Business type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund and Summer Enrichment Program Fund are 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 uses other funds established in accordance with the State of New Jersey Uniform Chart of Accounts to control and manage money for particular purposes (e.g., repaying its long-term debts) 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 assets 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 explain 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.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

**Fund financial statements (continued)**

*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 two enterprise funds, one fund accounts for the Food Service (cafeteria) and the other accounts for the Summer Enrichment Program activities.

- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets 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 assets to finance its operations.

**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 basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The first part of required supplementary information is 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 these funds 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.

The District also presents required supplementary information regarding the accounting and reporting for pensions as required under GASB Statement No. 68. The required supplementary information can be found following the notes to the financial statements.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,788,697 as of June 30, 2017 and \$25,392,741 as of June 30, 2016.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

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 is 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 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.

**Statement of Net Position  
As of June 30, 2017 and 2016**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current Assets	\$ 24,910,241	\$ 21,455,907	\$ 291,551	\$ 249,629	\$ 25,201,792	\$ 21,705,536
Capital Assets	<u>30,532,025</u>	<u>30,390,209</u>	<u>79,730</u>	<u>70,157</u>	<u>30,611,755</u>	<u>30,460,366</u>
<b>Total Assets</b>	<u>55,442,266</u>	<u>51,846,116</u>	<u>371,281</u>	<u>319,786</u>	<u>55,813,547</u>	<u>52,165,902</u>
<b>Deferred Outflows of Resources</b>	<u>4,990,302</u>	<u>2,826,690</u>	<u>-</u>	<u>-</u>	<u>4,990,302</u>	<u>2,826,690</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>60,432,568</u>	<u>54,672,806</u>	<u>371,281</u>	<u>319,786</u>	<u>60,803,849</u>	<u>54,992,592</u>
Other Liabilities	1,493,406	1,254,628	76,883	82,720	1,570,289	1,337,348
Noncurrent Liabilities	<u>29,891,012</u>	<u>27,912,307</u>	<u>-</u>	<u>-</u>	<u>29,891,012</u>	<u>27,912,307</u>
<b>Total Liabilities</b>	<u>31,384,418</u>	<u>29,166,935</u>	<u>76,883</u>	<u>82,720</u>	<u>31,461,301</u>	<u>29,249,655</u>
<b>Deferred Inflows of Resources</b>	<u>553,592</u>	<u>348,254</u>	<u>259</u>	<u>1,942</u>	<u>553,851</u>	<u>350,196</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>31,938,010</u>	<u>29,515,189</u>	<u>77,142</u>	<u>84,662</u>	<u>32,015,152</u>	<u>29,599,851</u>
Net Position:						
Net Investment in Capital Assets	17,586,138	16,641,633	79,730	70,157	17,665,868	16,711,790
Restricted	19,719,192	16,155,316			19,719,192	16,155,316
Unrestricted	<u>(8,810,772)</u>	<u>(7,639,332)</u>	<u>214,409</u>	<u>164,967</u>	<u>(8,596,363)</u>	<u>(7,474,365)</u>
<b>Total Net Position</b>	<u>\$ 28,494,558</u>	<u>\$ 25,157,617</u>	<u>\$ 294,139</u>	<u>\$ 235,124</u>	<u>\$ 28,788,697</u>	<u>\$ 25,392,741</u>

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 74,101	\$ 70,213	\$ 810,141	\$ 769,245	\$ 884,242	\$ 839,458
Grants and Contributions	19,358,280	15,977,306	206,571	196,636	19,564,851	16,173,942
General Revenues						
Property Taxes	50,863,213	49,215,145			50,863,213	49,215,145
State and Federal Aid	300,078	237,477			300,078	237,477
Other	490,592	419,239	1,843	634	492,435	419,873
<b>Total Revenues</b>	<b><u>71,086,264</u></b>	<b><u>65,919,380</u></b>	<b><u>1,018,555</u></b>	<b><u>966,515</u></b>	<b><u>72,104,819</u></b>	<b><u>66,885,895</u></b>
<b>Expenses</b>						
Instruction						
Regular	28,300,446	24,441,641			28,300,446	24,441,641
Special Education	10,232,995	8,416,625			10,232,995	8,416,625
Other Instruction	1,468,680	1,490,307			1,468,680	1,490,307
School Sponsored Activities and Athletics	1,465,923	1,426,941			1,465,923	1,426,941
Support Services						
Student and Instruction Related Serv.	12,326,470	11,929,533			12,326,470	11,929,533
General Administrative Services	1,390,777	1,313,684			1,390,777	1,313,684
School Administrative Services	3,986,266	3,421,124			3,986,266	3,421,124
Plant Operations and Maintenance	5,704,717	5,355,556			5,704,717	5,355,556
Pupil Transportation	1,453,690	1,402,650			1,453,690	1,402,650
Business and Other Support Services	977,767	1,017,308			977,767	1,017,308
Interest on Long-Term Debt	441,592	628,127			441,592	628,127
Food Services			930,915	920,552	930,915	920,552
Summer Enrichment	-	-	28,625	27,416	28,625	27,416
<b>Total Expenses</b>	<b><u>67,749,323</u></b>	<b><u>60,843,496</u></b>	<b><u>959,540</u></b>	<b><u>947,968</u></b>	<b><u>68,708,863</u></b>	<b><u>61,791,464</u></b>
<b>Change in Net Position</b>	<b><u>\$ 3,336,941</u></b>	<b><u>\$ 5,075,884</u></b>	<b><u>\$ 59,015</u></b>	<b><u>\$ 18,547</u></b>	<b><u>\$ 3,395,956</u></b>	<b><u>\$ 5,094,431</u></b>

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

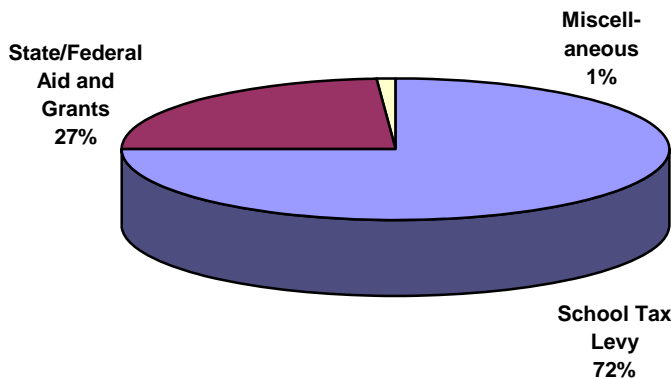
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017**

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$71,086,264 for the year ended June 30, 2017 an increase of \$5,166,884 from the previous year. A large portion of this increase is attributable to the adjustment to the on-behalf TPAF contribution to recognize the actuarially determined amount that should have been contributed on-behalf of the District. Property taxes of \$50,863,213 represented 72% of revenues. Another significant portion of revenues came from State and Federal aid; total State, Federal and local aid was \$19,658,358. Another source of revenues is miscellaneous income which includes items such as interest earnings, prior year refunds, etc.

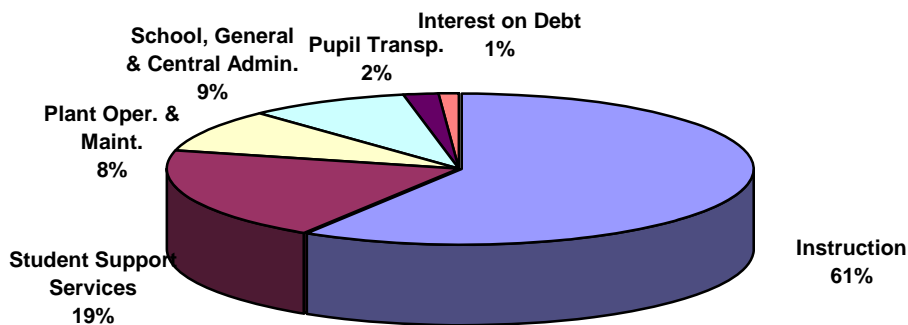
The total cost of all governmental activities programs and services was \$67,749,323. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$41,468,044 (61%) of total expenditures. Student support services, exclusive of interest on debt, total \$25,839,687 or (38%) of total expenditures.

Total governmental activities revenues surpassed expenses, increasing net position \$3,336,941 over the previous year.

Revenues by Source- Governmental Activities  
For Fiscal Year 2017



Expenditures by Type- Governmental Activities  
For Fiscal Year 2017



**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

**Total and Net Cost of Governmental Activities.** The District's total cost of services was \$67,749,323. After applying program revenues derived from: grants and contributions of \$19,358,280 and charges for services of \$74,101, the net cost of services of the District is \$48,316,942.

**Total and Net Cost of Governmental Activities  
For the Fiscal Years Ended June 30, 2017 and 2016**

	<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	\$ 28,300,446	\$ 24,441,641	\$ 18,673,146	\$ 17,416,217
Special Education	10,232,995	8,416,625	4,959,731	3,893,669
Other Instruction	1,468,680	1,490,307	948,201	1,030,105
School Sponsored Activities and Athletics	1,465,923	1,426,941	1,334,974	1,324,938
Support Services				
Student and Instruction Related Svcs.	12,326,470	11,929,533	10,300,521	10,323,435
General Administrative Services	1,390,777	1,313,684	1,081,288	1,091,853
School Administrative Services	3,986,266	3,421,124	2,870,957	2,653,545
Plant Operations and Maintenance	5,704,717	5,355,556	5,530,859	4,302,950
Pupil Transportation	1,453,690	1,402,650	1,324,985	1,278,351
Business and Other Support Services	977,767	1,017,308	977,767	1,017,308
Interest on Long-Term Debt	441,592	628,127	314,513	463,606
<b>Total</b>	<b><u>\$ 67,749,323</u></b>	<b><u>\$ 60,843,496</u></b>	<b><u>\$ 48,316,942</u></b>	<b><u>\$ 44,795,977</u></b>

**Business-Type Activities** – The District's total business-type activities revenues were \$1,018,555 for the year ended June 30, 2017. Charges for services accounted for 80% of total revenues. Operating grants and contributions accounted for 20% of total revenue for the year and interest income accounted for less than 1% of total revenue.

The total cost of all business-type activities programs and services was \$959,540. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District and to the District's summer enrichment program.

Total business-type activities revenues surpassed expenses, increasing net position by \$59,015 from the previous year which represents a 25 percent increase in net position of the District's business-type activities.



**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

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 \$23,621,856.

Revenues for the District's governmental funds were \$61,231,988, while total expenses were \$57,959,594.

**General Fund** - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	<b>Fiscal Year Ended <u>June 30, 2017</u></b>	<b>Fiscal Year Ended <u>June 30, 2016</u></b>	<b>Amount of Increase (Decrease)</b>	<b>Percent Change</b>
Local Sources				
Property Tax Levy	\$ 50,021,078	\$ 48,430,869	\$ 1,590,209	3%
Interest	116,501	72,137	44,364	61%
Miscellaneous	448,192	417,315	30,877	7%
State/Federal Sources	<u>8,133,611</u>	<u>7,657,230</u>	<u>476,381</u>	<u>6%</u>
Total General Fund Revenues	<u>\$ 58,719,382</u>	<u>\$ 56,577,551</u>	<u>\$ 2,141,831</u>	<u>4%</u>

Total General Fund Revenues increased by \$2,141,831, or 4% from the previous year.

State/federal revenues increased \$476,381 or 6%. The increase in state aid is related to an increase in TPAF On-Behalf Pension Contributions made by the State of New Jersey on behalf of the District.

Local property taxes increased 3% over the previous year.

Miscellaneous income revenues increased by \$30,877 compared to the prior year.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

The following schedule presents a summary of General Fund expenditures.

	<b>Fiscal Year Ended <u>June 30, 2017</u></b>	<b>Fiscal Year Ended <u>June 30, 2016</u></b>	<b>Amount of Increase (Decrease)</b>	<b>Percent Change</b>
Instruction	\$ 32,528,343	\$ 29,963,724	\$ 2,564,619	9%
Support Services	21,619,180	21,467,616	151,564	1%
Capital Outlay	<u>894,094</u>	<u>372,544</u>	<u>521,550</u>	140%
Total Expenditures	<u>\$ 55,041,617</u>	<u>\$ 51,803,884</u>	<u>\$ 3,237,733</u>	<u>6%</u>

Total General Fund expenditures increased \$3,237,733 or 6% from the previous year.

In 2016-2017 General Fund revenues exceeded expenditures and other financing uses by \$3,242,148. As a result, total fund balance increased to \$22,957,691 at June 30, 2017. After deducting statutory restrictions and designations, the unassigned fund balance increased from \$847,827 at June 30, 2016 to \$900,366 at June 30, 2017.

**Special Revenue Fund** - The Special Revenue Fund includes all restricted Federal, State and Local sources utilized in the operations of the district in providing educational services to students.

Revenues of the Special Revenue Fund were \$1,256,417 for the year ended June 30, 2017. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 84% of the total revenue for the year. State sources accounted for 15% and the balance of revenues of 1% were from local grants.

Expenditures of the Special Revenue Fund were \$1,256,417. Instructional expenditures were \$1,070,374 or 85% and expenditures for the support services were \$186,043 or 15% of total expended for the year ended June 30, 2017.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

**Proprietary Funds**

The District maintains Enterprise Funds to account for activities which are supported in part through user fees.

**Enterprise Fund** - The District uses Enterprise Funds to report activities related to the Food Services program and the Summer Enrichment program. The District’s Enterprise Funds provide the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District’s business-type activities.

**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 basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were for:

- Implementing budgets for specially funded projects, which include both federal and state grants, appropriating capital reserve funds and reinstating prior year purchase orders being carried over.

**CAPITAL ASSETS**

The District’s investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$30,611,755 (net of accumulated depreciation). The capital assets consist of land improvements, buildings, building improvements, construction in progress, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2016-2017 amounted to \$1,266,395 for governmental activities and \$7,503 for business-type activities.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Building and Building Improvements	\$ 26,937,483	\$ 27,425,421			\$ 26,937,483	\$ 27,425,421
Machinery and Equipment	3,153,574	2,820,025	\$ 79,730	\$ 70,157	3,233,304	2,890,182
Construction In Progress	<u>440,968</u>	<u>144,763</u>	<u>-</u>	<u>-</u>	<u>440,968</u>	<u>144,763</u>
<b>Total Capital Assets, Net</b>	<u><u>\$ 30,532,025</u></u>	<u><u>\$ 30,390,209</u></u>	<u><u>\$ 79,730</u></u>	<u><u>\$ 70,157</u></u>	<u><u>\$ 30,611,755</u></u>	<u><u>\$ 30,460,366</u></u>

Additional information on the District’s capital assets are presented in the “Notes to the Financial Statements” of this report.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
WASHINGTON TOWNSHIP, NEW JERSEY**

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

**LONG TERM LIABILITIES**

At year end, the District's long-term liabilities consisted of compensated absences payable of \$1,388,494, net pension liability of \$14,581,071 and bonds payable of \$13,921,447.

Additional information of the District's long-term liabilities is presented in the "Notes to the Financial Statements" of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Currently, the District is in good financial condition. Everyone associated with Westwood Regional School District is grateful for the community support.

Many factors were considered by the District's administration during the process of developing the fiscal year 2017-2018 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.

**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, Westwood Regional School District, 701 Ridgewood Road, Washington Township, NJ 07676.

## **BASIC FINANCIAL STATEMENTS**

**WESTWOOD REGIONAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 22,059,054	\$ 272,341	\$ 22,331,395
Receivables, net	2,851,187	12,039	2,863,226
Inventories		7,171	7,171
Capital Assets Not Being Depreciated	440,968		440,968
Capital Assets, Net of Accumulated Depreciation	30,091,057	79,730	30,170,787
Total Assets	<u>55,442,266</u>	<u>371,281</u>	<u>55,813,547</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding	876,676		876,676
Deferred Amount on Net Pension Liability	4,113,626	-	4,113,626
Total Deferred Outflows of Resources	<u>4,990,302</u>	<u>-</u>	<u>4,990,302</u>
Total Assets and Deferred Outflows of Resources	<u>60,432,568</u>	<u>371,281</u>	<u>60,803,849</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	957,410	15,573	972,983
Intergovernmental Payable	57,427		57,427
Unearned Revenue	273,548	61,310	334,858
Accrued Interest Payable	205,021		205,021
Noncurrent Liabilities			
Due Within One Year	755,000		755,000
Due Beyond One Year	29,136,012		29,136,012
Total Liabilities	<u>31,384,418</u>	<u>76,883</u>	<u>31,461,301</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount on Net Pension Liability	553,592		553,592
Deferred Commodities Revenue	-	259	259
Total Deferred Inflows of Resources	<u>553,592</u>	<u>259</u>	<u>553,851</u>
Total Liabilities and Deferred Inflows of Resources	<u>31,938,010</u>	<u>77,142</u>	<u>32,015,152</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	17,586,138	79,730	17,665,868
Restricted for:			
Capital Projects	19,719,191		19,719,191
Debt Service	1		1
Unrestricted	(8,810,772)	214,409	(8,596,363)
Total Net Position	<u>\$ 28,494,558</u>	<u>\$ 294,139</u>	<u>\$ 28,788,697</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs:</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</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>	<u>Total</u>
Governmental Activities							
Instruction							
Regular	\$ 28,300,446	\$ 52,500	\$ 9,574,800		\$ (18,673,146)		\$ (18,673,146)
Special Education	10,232,995		5,273,264		(4,959,731)		(4,959,731)
Other Instruction	1,468,680		520,479		(948,201)		(948,201)
School Sponsored Activities and Athletics	1,465,923		130,949		(1,334,974)		(1,334,974)
Support Services							
Student and Instruction Related Svcs.	12,326,470		2,025,949		(10,300,521)		(10,300,521)
General Administrative Services	1,390,777		309,489		(1,081,288)		(1,081,288)
School Administrative Services	3,986,266		1,115,309		(2,870,957)		(2,870,957)
Plant Operations and Maintenance	5,704,717	21,601	83,159	\$ 69,098	(5,530,859)		(5,530,859)
Pupil Transportation	1,453,690		128,705		(1,324,985)		(1,324,985)
Business Services	977,767				(977,767)		(977,767)
Interest on Long-Term Debt	441,592		127,079		(314,513)		(314,513)
Total Governmental Activities	<u>67,749,323</u>	<u>74,101</u>	<u>19,289,182</u>	<u>69,098</u>	<u>(48,316,942)</u>	<u>-</u>	<u>(48,316,942)</u>
Business-Type Activities							
Food Service	930,915	768,851	206,571			\$ 44,507	44,507
Summer Enrichment	28,625	41,290	-	-		12,665	12,665
Total Business-Type Activities	<u>959,540</u>	<u>810,141</u>	<u>206,571</u>	<u>-</u>	<u>-</u>	<u>57,172</u>	<u>57,172</u>
Total Primary Government	<u>\$ 68,708,863</u>	<u>\$ 884,242</u>	<u>\$ 19,495,753</u>	<u>\$ 69,098</u>	<u>(48,316,942)</u>	<u>57,172</u>	<u>(48,259,770)</u>
General Revenues:							
Property Taxes, Levied for General Purposes				50,021,078			50,021,078
Property Taxes, Levied for Debt Service				842,135			842,135
State Aid Unrestricted				82,201			82,201
State Aid Restricted for Debt Service Principal				217,877			217,877
Investment Earnings				116,501	1,843		118,344
Miscellaneous Income				374,091			374,091
Total General Revenues				<u>51,653,883</u>	<u>1,843</u>		<u>51,655,726</u>
Change in Net Position				3,336,941	59,015		3,395,956
Net Position, Beginning of Year				<u>25,157,617</u>	<u>235,124</u>		<u>25,392,741</u>
Net Position, End of Year				<u>\$ 28,494,558</u>	<u>\$ 294,139</u>		<u>\$ 28,788,697</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

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**FUND FINANCIAL STATEMENTS**

**WESTWOOD REGIONAL SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 22,038,173	\$ 20,880		\$ 1	\$ 22,059,054
Receivables, Net					
Receivables From Other Governments	99,043	118,475	\$ 2,287,832		2,505,350
Other Receivables	195,360	3,707			199,067
Due from Other Funds	1,494,336	-	-	-	1,494,336
Total Assets	<u>\$ 23,826,912</u>	<u>\$ 143,062</u>	<u>\$ 2,287,832</u>	<u>\$ 1</u>	<u>\$ 26,257,807</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 869,221	\$ 55,269	\$ 32,920		\$ 957,410
Due to Other Funds			1,347,566		1,347,566
Intergovernmental Payables		57,427			57,427
Unearned Revenue	-	30,366	243,182	-	273,548
Total Liabilities	869,221	143,062	1,623,668	-	2,635,951
<b>Fund Balances</b>					
<b>Restricted Fund Balance:</b>					
Capital Reserve	19,153,911				19,153,911
Excess Surplus-Designated for Subsequent Year's Expenditures	750,000				750,000
Excess Surplus	750,000				750,000
Capital Projects Fund			664,164		664,164
Debt Service Fund				\$ 1	1
<b>Assigned Fund Balance</b>					
Designated for Subsequent Year's Expenditures	671,231				671,231
Year-End Encumbrances	732,183				732,183
Unassigned Fund Balance	900,366	-	-	-	900,366
Total Fund Balances	22,957,691	-	664,164	1	23,621,856
Total Liabilities and Fund Balances	<u>\$ 23,826,912</u>	<u>\$ 143,062</u>	<u>\$ 2,287,832</u>	<u>\$ 1</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$51,086,412 and the accumulated depreciation is \$20,554,387. 30,532,025

The District has financed capital assets through the issuance of general obligation bonds. The accrued interest at year end is: (205,021)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Serial Bonds Payable	\$ (13,921,447)	
Net Pension Liability	(14,581,071)	
Add: Deferred Inflows of Resources	(553,592)	
Less: Deferred Outflows of Resources	4,990,302	
Compensated Absences Payable	(1,388,494)	(25,454,302)

Net Position of Governmental Activities (Exhibit A-1) \$ 28,494,558

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources					
Local Property Tax Levy	\$ 50,021,078			\$ 842,135	\$ 50,863,213
Tuition	52,500				52,500
Rentals	21,601				21,601
Interest	49,928				49,928
Interest on Capital Reserve	66,573				66,573
Miscellaneous	374,091	\$ 48,203	-	-	422,294
Total - Local Sources	50,585,771	48,203		842,135	51,476,109
State Sources	8,124,364	158,761	\$ 69,098	344,956	8,697,179
Federal Sources	9,247	1,049,453	-	-	1,058,700
Total Revenues	<u>58,719,382</u>	<u>1,256,417</u>	<u>69,098</u>	<u>1,187,091</u>	<u>61,231,988</u>
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular Instruction	22,159,146	220,609			22,379,755
Special Education Instruction	7,932,174	801,562			8,733,736
Other Instruction	1,123,565	48,203			1,171,768
School Sponsored Activities and Athletics	1,313,458				1,313,458
Support Services					
Student and Instruction Related Services	10,515,824	157,405			10,673,229
General Administrative Services	1,150,793				1,150,793
School Administrative Services	3,210,115				3,210,115
Plant Operations and Maintenance	4,433,218	28,638			4,461,856
Pupil Transportation	1,402,496				1,402,496
Central Services	906,734				906,734
Debt Service					
Principal				750,000	750,000
Interest and Other Charges				437,443	437,443
Capital Outlay	894,094		474,117		1,368,211
Total Expenditures	<u>55,041,617</u>	<u>1,256,417</u>	<u>474,117</u>	<u>1,187,443</u>	<u>57,959,594</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>3,677,765</u>	<u>-</u>	<u>(405,019)</u>	<u>(352)</u>	<u>3,272,394</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In			435,617		435,617
Transfers Out	(435,617)				(435,617)
Total Other Financing Sources (Uses)	<u>(435,617)</u>	<u>-</u>	<u>435,617</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,242,148	-	30,598	(352)	3,272,394
Fund Balance, Beginning of Year	19,715,543	-	633,566	353	20,349,462
Fund Balance, End of Year	<u>\$ 22,957,691</u>	<u>\$ -</u>	<u>\$ 664,164</u>	<u>\$ 1</u>	<u>\$ 23,621,856</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)** \$ 3,272,394

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Capital Outlays	\$ 1,368,211	
Depreciation Expense	<u>(1,226,395)</u>	
		141,816

In the statement of activities, certain operating expenses are measured by the amounts during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Net Increase in Net Pension Liability	(904,597)	
Amortization of Original Issue Premium	131,680	
Amortization of Deferred Amount on Refunding	(78,991)	
Net Decrease in Compensated Absences Payable	<u>81,477</u>	
		(770,431)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long term debt and related items.

Principal Repayments		750,000
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Increase in Accrued Interest		<u>(56,838)</u>
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**Change in Net Position of Governmental Activities (Exhibit A-2)** \$ 3,336,941

**WESTWOOD REGIONAL SCHOOL DISTRICT  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2017**

	<b>Business-Type Activities - Enterprise Fund</b>		
	<b>Food Service</b>	<b>Other Non-Major</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 188,602	\$ 83,739	\$ 272,341
Intergovernmental Accounts Receivable	12,039		12,039
Inventories	7,171	-	7,171
Total Current Assets	207,812	83,739	291,551
Capital Assets			
Furniture, Machinery and Equipment	230,974		230,974
Less Accumulated Depreciation	(151,244)	-	(151,244)
Total Capital Assets, Net of Accumulated Depreciation	79,730	-	79,730
Total Assets	287,542	83,739	371,281
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	15,573		15,573
Unearned Revenue	14,615	46,695	61,310
Total Liabilities	30,188	46,695	76,883
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Commodities Revenue	259		259
Total Deferred Inflows of Resources	259	-	259
Total Liabilities and Deferred Inflows of Resources	30,447	46,695	77,142
<b>NET POSITION</b>			
Investment in Capital Assets	79,730		79,730
Unrestricted	177,365	37,044	214,409
Total Net Position	\$ 257,095	\$ 37,044	\$ 294,139

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

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

**Business-Type Activities -  
 Enterprise Fund**

	<b>Food Service</b>	<b>Other Non-Major</b>	<b>Total</b>
Operating Revenues			
Charges for Services			
Daily Sales - Reimbursable Programs	\$ 291,923		\$ 291,923
Daily Sales - Non-Reimbursable Programs	474,941		474,941
Special Functions	1,987		1,987
Program Fees		\$ 41,290	41,290
<b>Total Operating Revenues</b>	<b>768,851</b>	<b>41,290</b>	<b>810,141</b>
Operating Expenses			
Cost of Sales - Reimbursable Programs	227,013		227,013
Cost of Sales - Non-Reimbursable Programs	170,242		170,242
Cost of Sales - USDA Commodities	46,074		46,074
Salaries and Wages	311,566	23,152	334,718
Employee Benefits	35,802		35,802
Management Fee	38,940		38,940
Repairs and Maintenance	21,917		21,917
Other Expenses	29,714		29,714
Supplies and Materials	29,693	3,192	32,885
Miscellaneous	12,451	2,281	14,732
Depreciation	7,503		7,503
<b>Total Operating Expenses</b>	<b>930,915</b>	<b>28,625</b>	<b>959,540</b>
<b>Operating Income/(Loss)</b>	<b>(162,064)</b>	<b>12,665</b>	<b>(149,399)</b>
Nonoperating Revenues			
State Sources			
State School Lunch Program	6,840		6,840
Federal Sources			
School Breakfast Program	1,245		1,245
National School Lunch Program	152,412		152,412
USDA Commodities	46,074		46,074
Interest and Investment Revenue	1,843	-	1,843
<b>Total Nonoperating Revenues</b>	<b>208,414</b>	<b>-</b>	<b>208,414</b>
Change in Net Position	46,350	12,665	59,015
Net Position, Beginning of Year	210,745	24,379	235,124
Net Position, End of Year	\$ 257,095	\$ 37,044	\$ 294,139

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>Business-Type Activities - Enterprise Fund</b>		
	<b>Food Service</b>	<b>Other Non-Major</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 768,930	\$ 48,490	\$ 817,420
Payments for Employees	(347,368)	(23,152)	(370,520)
Payments to Suppliers/Refunds	(541,540)	(5,817)	(547,357)
Net Cash Provided (Used) by Operating Activities	(119,978)	19,521	(100,457)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Receipts from State and Federal Sources	176,208	-	176,208
Net Cash Provided By Non-Capital Financing Activities	176,208	-	176,208
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(17,076)	-	(17,076)
Net Cash Used by Capital and Related Financing Activities	(17,076)	-	(17,076)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	1,843	-	1,843
Net Cash Provided By Investing Activities	1,843	-	1,843
Net Increase in Cash and Cash Equivalents	40,997	19,521	60,518
Cash and Cash Equivalents—Beginning of Year	147,605	64,218	211,823
Cash and Cash Equivalents—End of Year	\$ 188,602	\$ 83,739	\$ 272,341
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (162,064)	\$ 12,665	\$ (149,399)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	7,503		7,503
Food Distribution Program (USDA Commodities) National School Lunch Program	46,074		46,074
Changes in Assets, Liabilities and Deferred Inflows of Resources			
(Increase) Decrease in Accounts Receivable	79		79
(Increase) Decrease in Inventories	2,806		2,806
Increase (Decrease) in Accounts Payable	(15,894)	(344)	(16,238)
Increase (Decrease) in Unearned Revenue	3,201	7,200	10,401
Increase (Decrease) in Deferred Inflows of Resources	(1,683)		(1,683)
Total Adjustments	42,086	6,856	48,942
Net Cash Provided (Used) by Operating Activities	\$ (119,978)	\$ 19,521	\$ (100,457)
<b>Non Cash Investing, Capital and Financing Activities</b>			
Fair Value of Food Distribution Program- National School Lunch Program	\$ 44,391		

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**WESTWOOD REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2017**

	<b>Private Purpose Scholarship Trust Funds</b>	<b>Unemployment Compensation Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>			
Cash	\$ 3,692	\$ 608,796	\$ 559,743
Due from Other Funds	-	-	20,719
Total Assets	<u>3,692</u>	<u>608,796</u>	<u>\$ 580,462</u>
<b>LIABILITIES</b>			
Intergovernmental Payable		6,814	
Due to Other Funds		20,719	\$ 146,770
Payable To Student Groups			184,458
Accrued Salaries and Wages			(3,042)
Payroll Deductions and Withholdings			252,276
Total Liabilities	<u>-</u>	<u>27,533</u>	<u>\$ 580,462</u>
<b>NET POSITION</b>			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 3,692</u>	<u>\$ 581,263</u>	

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.



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

	<b>Private Purpose Trust Funds</b>	<b>Unemployment Compensation Trust Fund</b>
<b>ADDITIONS</b>		
Contributions		
Employees		\$ 50,585
Other	\$ 6,414	-
Total Contributions	6,414	50,585
Investment Earnings		
Interest	25	2,904
Total Investment Earnings	25	2,904
Total Additions	6,439	53,489
<b>DEDUCTIONS</b>		
Scholarships	7,250	
Unemployment Claims and Contributions and Other Charges	-	59,033
Total Deductions	7,250	59,033
Change in Net Position	(811)	(5,544)
Net Position, Beginning of Year	4,503	586,807
Net Position, End of Year	\$ 3,692	\$ 581,263

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

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**NOTES TO THE FINANCIAL STATEMENTS**

**WESTWOOD REGIONAL 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 Westwood Regional 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 nine 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 Westwood Regional School District this includes general operations, food service, summer enrichment 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.

**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*.

**WESTWOOD REGIONAL 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 while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**WESTWOOD REGIONAL 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, 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 food service 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.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**WESTWOOD REGIONAL 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.

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

The *summer enrichment program fund* accounts for the activities of the District's summer enrichment program.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, 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.

**WESTWOOD REGIONAL 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)**

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.

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.



**WESTWOOD REGIONAL 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)**

**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.

**4. 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	45
Site Improvements	20
Furniture, Fixtures and Equipment	5-20

**WESTWOOD REGIONAL 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)**

***5. 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 two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amount on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refundings result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amount on net pension liability. Deferred amount on net pension liability is 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. This amount is deferred and amortized over future years.

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 of items which arise only under the accrual basis of accounting that qualify for reporting in this category. Accordingly, one item, the deferred commodities revenue is 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 at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed. The other item that qualifies for reporting in this category is the deferred amount on net pension liability. Deferred amount on net pension liability is 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. This amount is deferred and amortized over future years.

***6. 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.

***7. 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.

**WESTWOOD REGIONAL 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)**

**8. 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. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

**9. 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 2B.)

*Excess Surplus – Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that was appropriated in the 2017/2018 original budget certified for taxes.

**WESTWOOD REGIONAL 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)**

***9. Net Position/Fund Balance (Continued)***

**Governmental Fund Statements (Continued)**

**Restricted Fund Balance (Continued)**

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

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

*Debt Service* – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service 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.

*Designated for Subsequent Year's Expenditures* – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

*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, committed or assigned to specific purposes within the governmental funds.

**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 aid, investment earnings and miscellaneous revenues.

**WESTWOOD REGIONAL 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 (Continued)**

**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 1<sup>st</sup> 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 Non-Operating 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 and summer enrichment enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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.

**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.

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (Continued)**

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service 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 2013/2014 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 2013/2014 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. On February 16, 2012, 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 general fund budget by \$1,476,369. The increase was funded by the reappropriation of prior year general fund encumbrances and the appropriation of capital reserve. During 2016/2017 the Board increased the original special revenue budget by \$170,379 which was funded by additional grant awards.

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.

**B. 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.

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Capital Reserve (Continued)**

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

Balance, July 1, 2016		\$ 15,620,281
Increased by:		
Interest Earnings	\$ 66,573	
Deposits Approved in District Budget	590,172	
Deposits Approved by Board Resolution	<u>3,312,502</u>	
Total Increases		<u>3,969,247</u>
		19,589,528
Withdrawals:		
Approved by Board Resolution		<u>(435,617)</u>
Balance, June 30, 2017		<u>\$ 19,153,911</u>

The withdrawals from the capital reserve were for use in a department approved facilities projects.

**C. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2017 is \$1,500,000. Of this amount, \$750,000 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$750,000 will be appropriated in the 2018/2019 original budget certified for taxes.

**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.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

**Cash Deposits (Continued)**

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 \$23,503,626 and bank and brokerage firm balances of the Board's deposits amounted to \$25,288,094. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	<u>\$ 25,288,094</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 the Board's bank balances were not 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.

**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>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Intergovernmental- Accounts	\$ 195,360	\$ 3,707			\$ 199,067
Intergovernmental Federal		118,475		\$ 11,525	130,000
State	<u>99,043</u>	<u>-</u>	<u>\$ 2,287,832</u>	<u>514</u>	<u>2,387,389</u>
Gross Receivables	294,403	122,182	2,287,832	12,039	2,716,456
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 294,403</u>	<u>\$ 122,182</u>	<u>\$ 2,287,832</u>	<u>\$ 12,039</u>	<u>\$ 2,716,456</u>



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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**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:

Special Revenue Fund		
Grant Draw downs Reserved for Encumbrances	\$	916
Unencumbered Grant Draw Downs		29,450
Capital Projects Fund		
Unrealized School Facilities Grants		243,182
Total Unearned Revenue for Governmental Funds	\$	<u>273,548</u>

**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>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction In Progress	\$ 144,763	\$ 296,205	\$ -	\$ 440,968
Total Capital Assets, Not Being Depreciated	<u>144,763</u>	<u>296,205</u>	<u>-</u>	<u>440,968</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	44,625,053	387,626		45,012,679
Machinery and Equipment	<u>4,948,385</u>	<u>684,380</u>	<u>-</u>	<u>5,632,765</u>
Total Capital Assets Being Depreciated	<u>49,573,438</u>	<u>1,072,006</u>	<u>-</u>	<u>50,645,444</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(17,199,632)	(875,564)		(18,075,196)
Machinery and Equipment	<u>(2,128,360)</u>	<u>(350,831)</u>	<u>-</u>	<u>(2,479,191)</u>
Total Accumulated Depreciation	<u>(19,327,992)</u>	<u>(1,226,395)</u>	<u>-</u>	<u>(20,554,387)</u>
Total Capital Assets, Being Depreciated, Net	<u>30,245,446</u>	<u>(154,389)</u>	<u>-</u>	<u>30,091,057</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,390,209</u>	<u>\$ 141,816</u>	<u>\$ -</u>	<u>\$ 30,532,025</u>

**WESTWOOD REGIONAL 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)**

	Balance, <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2017</u>
<b>Business-Type Activities:</b>				
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 213,898	\$ 17,076	\$ -	\$ 230,974
Total Capital Assets being depreciated	<u>213,898</u>	<u>17,076</u>	<u>-</u>	<u>230,974</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(143,741)	(7,503)	-	(151,244)
Total Accumulated Depreciation	<u>(143,741)</u>	<u>(7,503)</u>	<u>-</u>	<u>(151,244)</u>
Total Capital Assets, being depreciated, net	<u>70,157</u>	<u>9,573</u>	<u>-</u>	<u>79,730</u>
Business-Type Activities Capital Assets, net	<u>\$ 70,157</u>	<u>\$ 9,573</u>	<u>\$ -</u>	<u>\$ 79,730</u>

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

<b>Governmental Activities:</b>	
Instruction	
Regular Instruction	\$ 39,857
Total Instruction	<u>39,857</u>
Support Services	
Student and Instruction Related Services	85,196
General Administrative Services	45,413
Plant Operations and Maintenance	1,016,092
School Administrative Services	15,250
Pupil Transportation	24,587
Total Support Services	<u>1,186,538</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,226,395</u>
<b>Business-Type Activities:</b>	
Food Service Fund	\$ 7,503
Total Depreciation Expense-Business-Type Activities	<u>\$ 7,503</u>

**WESTWOOD REGIONAL 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)**

**Construction Commitments**

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

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
High School Façade Replacement	\$ 3,496,486	\$ 127,403
High School Partial Roof Replacement	2,269,497	88,803
Maintenance Building Replacement	196,361	39,364
Gym Floor Replacement	<u>99,844</u>	<u>142,946</u>
Total	<u>\$ 6,062,188</u>	<u>\$ 398,516</u>

**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	\$ 1,347,566
General Fund	Payroll Agency Fund	146,770
Payroll Agency Fund	Unemployment Compensation Trust Fund	<u>20,719</u>
		<u>\$ 1,515,055</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or to cover cash balances which were in an overdraft position.

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

**Interfund transfers**

	<u>Transfer In:</u>	
	Capital Projects	
	<u>Fund</u>	<u>Total</u>
Transfer Out:		
General Fund	<u>\$ 435,617</u>	<u>\$ 435,617</u>

The above transfer was the result of capital reserve funds utilized to finance expenditures.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Long-Term Debt**

**General Obligation Bonds**

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

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

\$16,672,000, 2008 Bonds, due in annual installments of \$695,000 to \$725,000 through August 1, 2018, interest at 4.00%	\$ 1,420,000
\$11,125,000, 2016 Refunding Bonds, due in annual installments of \$735,000 to \$1,150,000 through August 1, 2030, interest at 3.00% to 5.00%	<u>11,040,000</u>
	<u>\$12,460,000</u>

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

**Governmental Activities:**

Fiscal Year Ended June 30,	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 695,000	\$ 492,050	\$ 1,187,050
2019	725,000	463,650	1,188,650
2020	735,000	438,125	1,173,125
2021	755,000	415,775	1,170,775
2022	785,000	388,750	1,173,750
2023-2027	4,470,000	1,432,650	5,902,650
2028-2030	4,295,000	420,925	4,715,925
Total	<u>\$ 12,460,000</u>	<u>\$ 4,051,925</u>	<u>\$ 16,511,925</u>

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Long-Term Debt (Continued)**

**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)	\$ 145,868,133
Less: Net Debt	<u>12,460,075</u>
Remaining Borrowing Power	<u>\$ 133,408,058</u>

**Prior Year Defeasance of Debt**

In prior years, the District defeased certain serial bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of June 30, 2017, \$11,617,000 of bonds outstanding are considered defeased. These bonds will be called for redemption on August 1, 2018.

**G. 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>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 13,210,000		\$ 750,000	\$ 12,460,000	\$ 695,000
Unamortized Premium	<u>1,593,127</u>	<u>-</u>	<u>131,680</u>	<u>1,461,447</u>	<u>-</u>
Total Bonds Payable	14,803,127	-	881,680	13,921,447	695,000
Compensated Absences	1,469,971	\$ 33,998	115,475	1,388,494	60,000
Net Pension Liability	<u>11,639,209</u>	<u>3,379,231</u>	<u>437,369</u>	<u>14,581,071</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 27,912,307</u>	<u>\$ 3,413,229</u>	<u>\$ 1,434,524</u>	<u>\$ 29,891,012</u>	<u>\$ 755,000</u>

For the governmental activities, the liabilities for compensated absences and net pension liability are generally liquidated by the general fund.

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

**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.

The District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims and various other types of coverages.

The relationship between the Board and the insurance fund 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 fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

NJSBAIG 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 insurance fund is 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:

Fiscal Year Ended <u>June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017		\$ 50,585	\$ 59,033	\$ 581,263
2016		45,016	106,067	586,807
2015	\$ 50,000	43,273	51,394	645,701

**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.

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

**NOTE 4 OTHER INFORMATION (Continued)**

**B. Contingent Liabilities (Continued)**

**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.

**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.

**WESTWOOD REGIONAL 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)**

**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](http://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.us/treasury/doinvest](http://www.state.nj.us/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.



**WESTWOOD REGIONAL 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**

**Funding Status and Funding Progress (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	\$ 437,369	\$ 2,231,536	\$ 25,614
2016	445,768	1,637,098	18,585
2015	436,163	1,067,264	21,822

In addition for fiscal year 2016/2017 the District contributed \$3,173 for PERS and the State contributed \$7,235 for TPAF for Long Term Disability Insurance Premium (LTDI).

**WESTWOOD REGIONAL 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**

**Annual Pension Costs (APC) (Continued)**

The PERS contributions are recognized in the fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the 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 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 \$1,623,571 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 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 \$14,581,071 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 .04923 percent, which was a decrease of .00261percent from its proportionate share measured as of June 30, 2015 of .05184 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,341,966 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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 271,164	
Changes of Assumptions	3,020,419	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	555,990	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>266,053</u>	<u>\$ 553,592</u>
Total	<u>\$ 4,113,626</u>	<u>\$ 553,592</u>

**WESTWOOD REGIONAL 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	\$ 815,669
2019	815,669
2020	963,130
2021	757,972
2022	207,594
Thereafter	<u>-</u>
	<u>\$ 3,560,034</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:

	<b><u>PERS</u></b>
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.

**WESTWOOD REGIONAL 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%



**WESTWOOD REGIONAL 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 \$12,085,812 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 \$160,852,300. 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 .20447 percent, which was an increase of .00707 percent from its proportionate share measured as of June 30, 2015 of .19740 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.

**TPAF**

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.

**WESTWOOD REGIONAL 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%

**WESTWOOD REGIONAL 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:

	<b>1% Decrease <u>(2.22%)</u></b>	<b>Current Discount Rate <u>(3.22%)</u></b>	<b>1% Increase <u>(4.22%)</u></b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 192,093,593</u>	<u>\$ 160,852,300</u>	<u>\$ 135,339,753</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.



**WESTWOOD REGIONAL 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)**

***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 reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/trasury/pensions](http://www.state.nj.us/trasury/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](http://www.state.nj.us/treasury/pensions).

**WESTWOOD REGIONAL 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.

**WESTWOOD REGIONAL 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, 2015, 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/2016divisioncombined.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 \$1,859,376, \$1,949,333 and \$1,694,283, 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 county or 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 county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For Westwood Regional School District, the District's share of abated taxes resulting from the municipalities having entered into a tax abatement agreement is indeterminate.

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**BUDGETARY COMPARISON SCHEDULES**

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

**EXHIBIT C-1**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 50,021,078		\$ 50,021,078	\$ 50,021,078	
Tuition	50,000		50,000	52,500	\$ 2,500
Rents and Royalties	21,000		21,000	21,601	601
Interest on Investments	30,000		30,000	49,928	19,928
Interest on Capital Reserve	10,000		10,000	66,573	56,573
Unrestricted Miscellaneous Revenue	31,701	-	31,701	374,091	342,390
<b>Total Local Sources</b>	<u>50,163,779</u>	<u>-</u>	<u>50,163,779</u>	<u>50,585,771</u>	<u>421,992</u>
State Sources					
Special Education Aid	1,492,160		1,492,160	1,492,160	
Transportation Aid	110,956		110,956	110,956	
Security Aid	55,037		55,037	55,037	
Additional Adjustment Aid	2,322		2,322	2,322	
PARCC Readiness Aid	27,080		27,080	27,080	
Per Pupil Growth Aid	27,080		27,080	27,080	
Professional Learning Community Aid	27,590		27,590	27,590	
Extraordinary Aid				552,147	552,147
Additional Nonpublic Transportation Aid				18,660	18,660
TPAF Pension System Contribution (Normal Costs) (Non Budgeted)				2,153,509	2,153,509
TPAF Pension System Contribution (NCGI) (Non-Budgeted)				78,027	78,027
TPAF Pension System Contribution (Post- Retirement Medical Contribution) (Non-Budgeted)				1,859,376	1,859,376
TPAF Pension System Contribution (LTDI) (Non-Budgeted)				7,235	7,235
TPAF Social Security Reimbursements (Non-Budget)	-	-	-	1,623,571	1,623,571
<b>Total State Sources</b>	<u>1,742,225</u>	<u>-</u>	<u>1,742,225</u>	<u>8,034,750</u>	<u>6,292,525</u>
Federal Sources					
Medicaid Reimbursement	27,448	-	27,448	9,247	(18,201)
<b>Total Federal Sources</b>	<u>27,448</u>	<u>-</u>	<u>27,448</u>	<u>9,247</u>	<u>(18,201)</u>
<b>Total Revenues</b>	<u>51,933,452</u>	<u>-</u>	<u>51,933,452</u>	<u>58,629,768</u>	<u>6,696,316</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	761,440		761,440	705,161	56,279
Grades 1-5	4,741,245	\$ 60,510	4,801,755	4,729,948	71,807
Grades 6-8	3,605,774	141,940	3,747,714	3,730,340	17,374
Grades 9-12	5,139,034	(191,440)	4,947,594	4,670,045	277,549
Regular Programs - Home Instruction					
Salaries of Teachers	50,000	21,100	71,100	70,676	424
Purchased Professional/Educational Services	8,000		8,000	46	7,954
Regular Programs - Undistributed Instruction					
Purchased Professional/Educational Services	20,320	(13,150)	7,170	6,877	293
Purchased Technical Services	3,000	(3,000)			
Other Purchased Services	164,644	(194)	164,450	164,450	
General Supplies	412,100	21,971	434,071	421,856	12,215
Textbooks	321,775	518,517	840,292	504,115	336,177
Other Objects	10,220	(832)	9,388	8,722	666
<b>Total Regular Programs</b>	<u>15,237,552</u>	<u>555,422</u>	<u>15,792,974</u>	<u>15,012,236</u>	<u>780,738</u>
Learning and/or Language Disabilities					
Salaries of Teachers	298,692	18,000	316,692	316,512	180
Other Salaries for Instruction	33,000	(30,000)	3,000		3,000
Purchased Professional/Educational Services	40,000	(40,000)			
General Supplies	34,000	-	34,000	24,802	9,198
<b>Total Learning and/or Language Disabilities</b>	<u>405,692</u>	<u>(52,000)</u>	<u>353,692</u>	<u>341,314</u>	<u>12,378</u>

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

**EXHIBIT C-1**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Resource Room/Resource Center					
Salaries of Teachers	\$ 2,512,632	\$ 165,000	\$ 2,677,632	\$ 2,676,674	\$ 958
Other Salaries for Instruction	30,000	(30,000)			
General Supplies	22,000	(9,582)	12,418	7,518	4,900
<b>Total Resource Room/Resource Center</b>	<b>2,564,632</b>	<b>125,418</b>	<b>2,690,050</b>	<b>2,684,192</b>	<b>5,858</b>
Autism					
Salaries of Teachers	116,060	8,500	124,560	124,282	278
Other Salaries for Instruction	125,000	15,500	140,500	140,082	418
General Supplies	25,000	(10,000)	15,000	6,614	8,386
Other Objects	1,000	-	1,000	-	1,000
<b>Total Autism</b>	<b>267,060</b>	<b>14,000</b>	<b>281,060</b>	<b>270,978</b>	<b>10,082</b>
Preschool Disabilities - Part-Time					
Salaries of Teachers	129,868	34,410	164,278	164,057	221
Other Salaries for Instruction	96,000	(70,000)	26,000	23,833	2,167
Purchased Professional Educational Services	2,000		2,000	650	1,350
General Supplies	10,000	(7,590)	2,410	108	2,302
<b>Total Preschool Disabilities - Part-Time</b>	<b>237,868</b>	<b>(43,180)</b>	<b>194,688</b>	<b>188,648</b>	<b>6,040</b>
Preschool Disabilities - Full-Time					
Salaries of Teachers	175,417		175,417	175,228	189
Other Salaries for Instruction	217,000		217,000	145,902	71,098
Purchased Professional Educational Services	2,000		2,000	1,035	965
General Supplies	7,000	5	7,005	2,190	4,815
<b>Total Preschool Disabilities - Full-Time</b>	<b>401,417</b>	<b>5</b>	<b>401,422</b>	<b>324,355</b>	<b>77,067</b>
Home Instruction					
Purchased Professional Educational Services	50,000	(40,000)	10,000	9,081	919
<b>Total Home Instruction</b>	<b>50,000</b>	<b>(40,000)</b>	<b>10,000</b>	<b>9,081</b>	<b>919</b>
<b>Total Special Education</b>	<b>3,926,669</b>	<b>4,243</b>	<b>3,930,912</b>	<b>3,818,568</b>	<b>112,344</b>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	376,070	-	376,070	375,914	156
<b>Total Basic Skills/Remedial</b>	<b>376,070</b>	<b>-</b>	<b>376,070</b>	<b>375,914</b>	<b>156</b>
Bilingual Education - Instruction					
Salaries of Teachers	321,090	5,500	326,590	326,183	407
General Supplies	1,100	39	1,139	1,139	-
<b>Total Bilingual Education</b>	<b>322,190</b>	<b>5,539</b>	<b>327,729</b>	<b>327,322</b>	<b>407</b>
School Sponsored Co/Extra Curricular Activities - Instruction					
Salaries	192,000	28,500	220,500	194,671	25,829
Purchased Services	7,205	(20)	7,185	5,957	1,228
Supplies and Materials	9,350	-	9,350	8,923	427
<b>Total School Sponsored Co/Extra Curricular Activities</b>	<b>208,555</b>	<b>28,480</b>	<b>237,035</b>	<b>209,551</b>	<b>27,484</b>

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

**EXHIBIT C-1**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
School Sponsored Athletics - Instruction					
Salaries	\$ 676,669		\$ 676,669	\$ 580,704	\$ 95,965
Purchased Services	99,000	\$ 1,732	100,732	81,595	19,137
Supplies and Materials	103,500	1,168	104,668	96,493	8,175
Other Objects	47,045	(2,847)	44,198	27,063	17,135
<b>Total School Sponsored Athletics</b>	<b>926,214</b>	<b>53</b>	<b>926,267</b>	<b>785,855</b>	<b>140,412</b>
<b>Total Instruction</b>	<b>20,997,250</b>	<b>593,737</b>	<b>21,590,987</b>	<b>20,529,446</b>	<b>1,061,541</b>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State - Special	487,644	(40,000)	447,644	414,270	33,374
Tuition to Co. Voc. School Dist.- Reg.	268,000	(25,000)	243,000	221,798	21,202
Tuition to Co. Voc. School Dist.- Special	106,800	26,700	133,500	130,248	3,252
Tuition to CSSD and Regional Day Schools	223,528	484,732	708,260	648,714	59,546
Tuition to Priv. Sch. for the Disabled - State	1,487,065	(296,372)	1,190,693	1,087,086	103,607
Tuition to Priv. Sch. Disabled & Other LEAs - Out State	63,000	(57,960)	5,040		5,040
Tuition - State Facilities	32,306		32,306	32,306	
Tuition - Other	85,000	-	85,000	72,324	12,676
<b>Total Undistributed Expenditures - Instruction</b>	<b>2,753,343</b>	<b>92,100</b>	<b>2,845,443</b>	<b>2,606,746</b>	<b>238,697</b>
Attendance and Social Work					
Salaries	1,500	81	1,581	1,581	-
<b>Total Attendance and Social Work</b>	<b>1,500</b>	<b>81</b>	<b>1,581</b>	<b>1,581</b>	<b>-</b>
Health Services					
Salaries	608,157	4,657	612,814	581,304	31,510
Purchased Professional and Technical Services	20,000	(4,738)	15,262	10,938	4,324
Other Purchased Services	1,000		1,000		1,000
Supplies and Materials	16,000	431	16,431	11,602	4,829
<b>Total Health Services</b>	<b>645,157</b>	<b>350</b>	<b>645,507</b>	<b>603,844</b>	<b>41,663</b>
Speech, OT, PT and Related Services					
Salaries	708,110		708,110	681,863	26,247
Purchased Prof. Ed. Services	773,500	(406,567)	366,933	204,189	162,744
Supplies and Materials	16,000	(10,000)	6,000	3,392	2,608
<b>Total Speech, OT, PT and Related Services</b>	<b>1,497,610</b>	<b>(416,567)</b>	<b>1,081,043</b>	<b>889,444</b>	<b>191,599</b>
Other Support Services - Students - Extraordinary Serv.					
Salaries	1,525,530	1,650	1,527,180	1,313,052	214,128
Purchased Prof. Ed. Services	700,000	185,345	885,345	809,747	75,598
Supplies and Materials	20,800	(10,000)	10,800	6,991	3,809
<b>Total Other Supp.Serv. Student - Extraordinary Serv.</b>	<b>2,246,330</b>	<b>176,995</b>	<b>2,423,325</b>	<b>2,129,790</b>	<b>293,535</b>



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

**EXHIBIT C-1**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Guidance					
Salaries of Other Professional Staff	\$ 968,082	\$ 1,000	\$ 969,082	\$ 969,023	\$ 59
Salaries of Secretarial & Clerical Assistants	108,320	10,000	118,320	108,651	9,669
Purchased Professional-Educational Services	6,215	(1,044)	5,171	4,150	1,021
Other Purchased Services	4,500		4,500	2,562	1,938
Supplies and Materials	12,305	(2,554)	9,751	8,710	1,041
<b>Total Guidance</b>	<b>1,099,422</b>	<b>7,402</b>	<b>1,106,824</b>	<b>1,093,096</b>	<b>13,728</b>
Child Study Teams					
Salaries of Other Professional Staff	794,079	50,000	844,079	831,556	12,523
Salaries of Secretarial & Clerical Assistants	190,902		190,902	190,864	38
Purchased Professional/Educational Services	267,000	(56,800)	210,200	145,086	65,114
Other Purchased Services	12,500	149	12,649	9,022	3,627
Supplies and Materials	40,000	(3,160)	36,840	16,496	20,344
Other Objects	6,410	-	6,410	300	6,110
<b>Total Child Study Teams</b>	<b>1,310,891</b>	<b>(9,811)</b>	<b>1,301,080</b>	<b>1,193,324</b>	<b>107,756</b>
Improvement of Instr. Services					
Salaries of Supervisors of Instruction	446,785		446,785	431,573	15,212
Salaries of Other Professional Staff	236,332	2,000	238,332	237,614	718
Other Salaries	40,000		40,000	18,297	21,703
Purchased Professional-Educational Services	18,500	(2,000)	16,500	12,562	3,938
Other Purchased Services	28,000	-	28,000	14,557	13,443
<b>Total Other Support Services - Impvt. of Instructional Staff</b>	<b>769,617</b>	<b>-</b>	<b>769,617</b>	<b>714,603</b>	<b>55,014</b>
Educational Media/School Library					
Salaries	324,940	4,500	329,440	323,980	5,460
Salaries of Technology Coordinators	325,834	12,000	337,834	335,865	1,969
Purchased Professional and Technical Services	240,705	11,969	252,674	247,527	5,147
Other Purchased Services	9,500		9,500	4,976	4,524
Supplies and Materials	331,945	104,587	436,532	334,257	102,275
Other Objects	500	(5)	495	-	495
<b>Total Educational Media/School Library</b>	<b>1,233,424</b>	<b>133,051</b>	<b>1,366,475</b>	<b>1,246,605</b>	<b>119,870</b>
Instructional Staff Training Services					
Other Salaries	10,000		10,000	9,058	942
Purchased Professional-Educational Services	5,000		5,000	1,639	3,361
Other Purchased Services	23,920	3,417	27,337	19,655	7,682
Supplies and Materials	1,000	740	1,740	738	1,002
<b>Total Instructional Staff Training Services</b>	<b>39,920</b>	<b>4,157</b>	<b>44,077</b>	<b>31,090</b>	<b>12,987</b>
Support Services General Administration					
Salaries	497,673	40,000	537,673	460,094	77,579
Legal Services	100,000	40,000	140,000	106,199	33,801
Audit Fees	35,000	-	35,000	32,915	2,085
Architectural/Engineering Services	50,000	25,244	75,244	52,277	22,967
Other Purchased Professional Services	25,000	1,476	26,476	22,339	4,137
Purchased Technical Services	25,000	120	25,120	17,120	8,000
Communications/Telephone	171,500	6,370	177,870	149,198	28,672
BOE Other Purchased Services	1,000		1,000		1,000
Miscellaneous Purchased Services	64,500	18,569	83,069	32,589	50,480
General Supplies	25,000	(17,000)	8,000	6,006	1,994
BOE In-House Training/Meeting Supplies	4,000		4,000	2,512	1,488
Judgments Against the School District		86,666	86,666	13,519	73,147
Miscellaneous Expenditures	20,000		20,000	8,081	11,919
BOE Membership Dues and Fees	25,000	-	25,000	21,000	4,000
<b>Total Support Services General Administration</b>	<b>1,043,673</b>	<b>201,445</b>	<b>1,245,118</b>	<b>923,849</b>	<b>321,269</b>

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

**EXHIBIT C-1**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Support Services School Administration					
Salaries of Principals/Asst. Principals	\$ 1,184,854	\$ 216,900	\$ 1,401,754	\$ 1,177,191	\$ 224,563
Salaries of Other Professional Staff	505,876		505,876	480,856	25,020
Salaries of Secretarial and Clerical Assistants	485,996	9,100	495,096	494,472	624
Other Purchased Services	40,000		40,000	21,666	18,334
Supplies and Materials	38,275	(1,237)	37,038	29,516	7,522
Other Objects	7,950	325	8,275	2,009	6,266
<b>Total Support Services School Administration</b>	<b>2,262,951</b>	<b>225,088</b>	<b>2,488,039</b>	<b>2,205,710</b>	<b>282,329</b>
Central Services					
Salaries	564,044	45,400	609,444	563,728	45,716
Purchased Professional Services	2,000		2,000		2,000
Purchased Technical Services	20,000		20,000	5,036	14,964
Misc. Purchased Services	12,000		12,000	5,216	6,784
Supplies and Materials	15,242		15,242	6,002	9,240
Miscellaneous Expenditures	5,000	-	5,000	1,185	3,815
<b>Total Central Services</b>	<b>618,286</b>	<b>45,400</b>	<b>663,686</b>	<b>581,167</b>	<b>82,519</b>
Admin Info. Tech.					
Salaries	24,161	250	24,411	24,381	30
Purchased Technical Services	64,864	(250)	64,614	60,251	4,363
Supplies and Materials	6,000	15,489	21,489	15,745	5,744
<b>Total Admin Info. Tech.</b>	<b>95,025</b>	<b>15,489</b>	<b>110,514</b>	<b>100,377</b>	<b>10,137</b>
Required Maintenance for School Facilities					
Salaries	384,096		384,096	333,941	50,155
Cleaning, Repair & Maintenance Services	195,000	208,117	403,117	351,469	51,648
General Supplies	152,500	103,007	255,507	194,476	61,031
<b>Total Allowable Maintenance for School Facilities</b>	<b>731,596</b>	<b>311,124</b>	<b>1,042,720</b>	<b>879,886</b>	<b>162,834</b>
Custodial Services					
Salaries	1,265,384	(14,500)	1,250,884	1,199,972	50,912
Salaries of Non-Instructional Aides	110,000		110,000	82,825	27,175
Cleaning, Repair and Maintenance Services	95,000	9,701	104,701	90,173	14,528
Other Purchased Property Services	66,500	(2,680)	63,820	54,947	8,873
Insurance	391,326	(59,408)	331,918	329,361	2,557
Misc. Purchased Services	2,000		2,000	430	1,570
General Supplies	123,000	(18,682)	104,318	92,629	11,689
Energy (Natural Gas)	280,000	139,896	419,896	188,446	231,450
Energy (Electricity)	730,000	(31,147)	698,853	434,338	264,515
Energy (Gasoline)	45,000	(16,200)	28,800	26,630	2,170
Other Objects	1,000	-	1,000	730	270
<b>Total Custodial Services</b>	<b>3,109,210</b>	<b>6,980</b>	<b>3,116,190</b>	<b>2,500,481</b>	<b>615,709</b>
Care and Upkeep of Grounds					
Salaries	145,138	2,000	147,138	147,104	34
Cleaning, Repair & Maintenance Svc.	18,000	21,785	39,785	37,115	2,670
General Supplies	30,000	3,097	33,097	11,327	21,770
<b>Total Care and Upkeep of Grounds</b>	<b>193,138</b>	<b>26,882</b>	<b>220,020</b>	<b>195,546</b>	<b>24,474</b>
Security					
Salaries	116,700		116,700	113,661	3,039
Cleaning, Repair & Maintenance Svc.	8,000	10,836	18,836	5,300	13,536
General Supplies	17,000	45,536	62,536	18,962	43,574
Other Objects	-	500	500	476	24
<b>Total Security</b>	<b>141,700</b>	<b>56,872</b>	<b>198,572</b>	<b>138,399</b>	<b>60,173</b>

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

**EXHIBIT C-1**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries of Non-Instructional Aides	\$ 26,500	\$ 41,237	\$ 67,737	\$ 67,669	\$ 68
Sal. For Pupil Trans (Between Home & Sch)-Reg.	20,000	13,397	33,397	33,293	104
Sal. For Pupil Trans (Between Home & Sch)-Spec. Ed	96,337		96,337	88,363	7,974
Sal. For Pupil Trans (Other than Between Home & Sch)	18,000	13,430	31,430	30,970	460
Cleaning, Repair & Maint. Services	15,000	3,771	18,771	13,951	4,820
Contracted Services (Between Home and School) - Vendors	415,000	(53,717)	361,283	280,470	80,813
Contracted Services (Other Than Between Home and School) - Vendors	150,000	1,160	151,160	61,082	90,078
Contracted Services (Special Ed. Students) - Vendors	963,500	(304,225)	659,275	648,405	10,870
Contracted Services - Aid In Lieu of Payments-Non Public	85,000	9,366	94,366	90,738	3,628
Other Objects	9,000	(5,000)	4,000	3,203	797
	<u>1,798,337</u>	<u>(280,581)</u>	<u>1,517,756</u>	<u>1,318,144</u>	<u>199,612</u>
Total Student Transportation Services					
Unallocated Benefits- Employee Benefits					
Group Insurance	18,000		18,000	10,131	7,869
Social Security Contributions	600,000	10,000	610,000	578,661	31,339
Other Retirement Contrib.- PERS	500,000		500,000	435,589	64,411
Other Retirement Contrib.- Regular	50,000		50,000	41,628	8,372
Unemployment Compensation	50,000		50,000	1,947	48,053
Workmen's Compensation	260,000		260,000	238,850	21,150
Health Benefits	8,238,040	(878,392)	7,359,648	7,044,627	315,021
Tuition Reimbursement	75,000		75,000	75,000	
Other Employee Benefits	21,300	95,000	116,300	115,475	825
	<u>9,812,340</u>	<u>(773,392)</u>	<u>9,038,948</u>	<u>8,541,908</u>	<u>497,040</u>
Total Unallocated Benefits					
TPAF Pension System Contribution (Normal Costs)					
(Non-Budgeted)				2,153,509	(2,153,509)
TPAF Pension System Contribution (NCGI)					
(Non-Budgeted)				78,027	(78,027)
TPAF Pension Systems Contribution (Post Retirement Medical Contributions)(Non-Budgeted)					
				1,859,376	(1,859,376)
TPAF Pension System Contribution (LTDI)					
(Non-Budgeted)				7,235	(7,235)
Reimbursed TPAF Social Security Reimbursements					
(Non-Budgeted)	-	-	-	1,623,571	(1,623,571)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,721,718</u>	<u>(5,721,718)</u>
Total On-Behalf TPAF Contributions					
Total Undistributed Expenditures	<u>31,403,470</u>	<u>(176,935)</u>	<u>31,226,535</u>	<u>33,617,308</u>	<u>(2,390,773)</u>
Total Current Expenditures	<u>52,400,720</u>	<u>416,802</u>	<u>52,817,522</u>	<u>54,146,754</u>	<u>(1,329,232)</u>

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

**EXHIBIT C-1**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>EXPENDITURES</b>					
<b>CAPITAL OUTLAY</b>					
Equipment					
Undistributed Expenditures					
Instruction	\$ 4,000	\$ 48,476	\$ 52,476	\$ 51,901	\$ 575
School Sponsored Activities and Athletics		43,644	43,644	43,644	
Child Study Teams	7,350		7,350		7,350
Educational Media/Library Services		28,000	28,000	27,695	305
Admin Info Tech	50,000	(11,588)	38,412	14,545	23,867
Required Maintenance for School Facilities	60,000	18,850	78,850	65,204	13,646
Security	35,000	149,560	184,560	176,086	8,474
Care and Upkeep	35,000	(3,000)	32,000		32,000
Non-Instructional Services	4,000	314,532	318,532	305,305	13,227
<b>Total Equipment</b>	<b>195,350</b>	<b>588,474</b>	<b>783,824</b>	<b>684,380</b>	<b>99,444</b>
Facilities Acquisition and Construction Serv.					
Architectural/Engineering Services		41,456	41,456	9,521	31,935
Construction Services	206,420	(5,980)	200,440	200,193	247
Assessment for Debt Service on SDA Funding	769	-	769	769	-
<b>Total Facilities Acquisition and Construction Serv.</b>	<b>207,189</b>	<b>35,476</b>	<b>242,665</b>	<b>210,483</b>	<b>32,182</b>
Increase in Capital Reserve	590,172	-	590,172	-	590,172
Interest Deposit to Capital Reserve	10,000	-	10,000	-	10,000
<b>Total Capital Outlay</b>	<b>1,002,711</b>	<b>623,950</b>	<b>1,626,661</b>	<b>894,863</b>	<b>731,798</b>
<b>Total Expenditures</b>	<b>53,403,431</b>	<b>1,040,752</b>	<b>54,444,183</b>	<b>55,041,617</b>	<b>(597,434)</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,469,979)	(1,040,752)	(2,510,731)	3,588,151	6,098,882
Other Financing Sources (Uses)					
Capital Reserve - Transfer to Capital Projects	-	(435,617)	(435,617)	(435,617)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(435,617)</b>	<b>(435,617)</b>	<b>(435,617)</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,469,979)	(1,476,369)	(2,946,348)	3,152,534	6,098,882
Fund Balance, Beginning of Year	20,470,708	-	20,470,708	20,470,708	-
Fund Balance, End of Year	<b>\$ 19,000,729</b>	<b>\$ (1,476,369)</b>	<b>\$ 17,524,360</b>	<b>\$ 23,623,242</b>	<b>\$ 6,098,882</b>
<b>Recapitulation:</b>					
Restricted Fund Balance					
Capital Reserve				\$ 19,153,911	
Excess Surplus-Designated for Subsequent Year's Expenditures - 2017/2018				750,000	
Excess Surplus				750,000	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures - 2017/2018				671,231	
Year-End Encumbrances				732,183	
Unassigned Fund Balance				1,565,917	
				23,623,242	
<b>Reconciliation to Governmental Funds Statements (GAAP):</b>					
Less:					
2016/2017 Extraordinary Aid Not Recognized on a GAAP Basis			\$ (552,147)		
2016/2017 State Aid Not Recognized on a GAAP Basis			(113,404)		
				(665,551)	
Fund Balance per Governmental Funds (GAAP)				<b>\$ 22,957,691</b>	

**WESTWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**EXHIBIT C-2**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final Budget to Actual</b>
<b>REVENUES</b>					
State Sources	\$ 210,463	\$ 5,724	\$ 216,187	\$ 158,761	\$ (57,426)
Federal Sources	1,038,732	96,173	1,134,905	1,049,453	(85,452)
Local	-	68,482	68,482	41,335	(27,147)
	<u>1,249,195</u>	<u>170,379</u>	<u>1,419,574</u>	<u>1,249,549</u>	<u>(170,025)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	190,191	(75,495)	114,696	114,696	-
Purchased Prof./Educ. Svcs.	51,972	71,600	123,572	39,514	84,058
Tuition	765,050	(16,975)	748,075	748,075	-
Other Purchased Services		2,500	2,500	640	1,860
General Supplies	76,497	118,016	194,513	124,913	69,600
Textbooks	43,396	(1,319)	42,077	37,795	4,282
Other Objects	-	1,950	1,950	1,950	-
	<u>1,127,106</u>	<u>100,277</u>	<u>1,227,383</u>	<u>1,067,583</u>	<u>159,800</u>
Support Services					
Other Salaries		16,897	16,897	13,290	3,607
Personal Services - Employee Benefits		25,282	25,282	25,006	276
Purchased Prof./Educ. Svcs.	47,479	(13,901)	33,578	33,578	
Other Purchased Services	74,610	40,035	114,645	109,743	4,902
Supplies and Materials		1,789	1,789	349	1,440
Other Objects	-	-	-	-	-
	<u>122,089</u>	<u>70,102</u>	<u>192,191</u>	<u>181,966</u>	<u>10,225</u>
Total Expenditures	<u>1,249,195</u>	<u>170,379</u>	<u>1,419,574</u>	<u>1,249,549</u>	<u>170,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WESTWOOD REGIONAL SCHOOL DISTRICT  
GENERAL AND SPECIAL REVENUE FUNDS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

		<b>General Fund</b>		<b>Special Revenue Fund</b>
<b>Sources/Inflows of Resources</b>				
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule	(C-1)	\$ 58,629,768	(C-2)	\$ 1,249,549
<b>Difference - Budget to GAAP</b>				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				
Encumbrances, June 30, 2016				7,784
Encumbrances, June 30, 2017				(916)
Certain State Aid payments recognized for GAAP purposes, not recognized for budgetary statements. (2016/2017 State Aid)		(665,551)		
Certain State Aid payments recognized for budgetary purposes, not recognized for GAAP statements. (2015/2016 State Aid)		<u>755,165</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	(B-2)	<u>\$ 58,719,382</u>		<u>\$ 1,256,417</u>
<b>Uses/Outflows of Resources</b>				
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	(C-1)	\$ 55,041,617	(C-2)	\$ 1,249,549
<b>Differences - Budget to GAAP</b>				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes				
Encumbrances, June 30, 2016				7,784
Encumbrances, June 30, 2017		<u>-</u>		<u>(916)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2)	<u>\$ 55,041,617</u>	(B-2)	<u>\$ 1,256,417</u>

**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  
Westwood Regional School District  
Township of Washington, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$7,751,000 aggregate principal amount of School Bonds, Series 2018 (the "Bonds") of The Board of Education of the Westwood Regional School District in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the "Education Law"); (ii) a proposal adopted by the Board on August 24, 2017 (the "Proposal") and approved by the affirmative vote of a majority of the legal voters present and voting at the special School District election held on December 12, 2017 and (iii) a resolution adopted by the Board on July 19, 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 15, 2019 and semi-annually thereafter on the fifteenth day of March and September in each year until maturity or prior redemption, and shall mature on September 15 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$201,000		2029	\$400,000	
2020	375,000		2030	400,000	
2021	375,000		2031	400,000	
2022	400,000		2032	400,000	
2023	400,000		2033	400,000	
2024	400,000		2034	400,000	
2025	400,000		2035	400,000	
2026	400,000		2036	400,000	
2027	400,000		2037	400,000	
2028	400,000		2038	400,000	

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

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

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**Form of Continuing Disclosure Certificate**

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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 Westwood Regional School District in the County of Bergen, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$7,751,000 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 24, 2017 and approved by the affirmative vote of a majority of the legal voters present and voting at the special School District election held on December 12, 2017 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$7,751,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2018 OF THE BOARD OF EDUCATION OF THE WESTWOOD REGIONAL SCHOOL DISTRICT IN THE COUNTY OF BERGEN, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on July 19, 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](http://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 September 6, 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. Dissemination Agent; Compensation.** The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises

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

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

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

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

**SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent.**

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

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

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

(a) If to the Board of Education:

The Board of Education of the  
Westwood Regional School District  
701 Ridgewood Road  
Township of Washington, New Jersey 07676  
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  
Westwood Regional School District  
701 Ridgewood Road  
Township of Washington, New Jersey 07676  
Attention: Business Administrator/Board Secretary

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

**SECTION 14. Counterparts.** This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the

Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

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

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

**THE BOARD OF EDUCATION OF THE  
WESTWOOD REGIONAL SCHOOL DISTRICT**

By: \_\_\_\_\_  
**KEITH A. ROSADO,**  
**Business Administrator/**  
**Board Secretary**

**EXHIBIT A**

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

Name of Issuer: The Board of Education of the  
Westwood Regional School District  
in the County of Bergen, New Jersey

Name of Issue: \$7,751,000 School Bonds, Series 2018  
Dated: \_\_\_\_\_, 2018  
(CUSIP Number: 961811\_\_\_\_)

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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