This is a Preliminary Official Statement "deemed final" within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and the information contained herein is subject to completion or amendment in accordance with applicable law. The Issuer will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 27, 2018

NEW ISSUE
SERIAL BONDS

RATINGS: Standard & Poor's: "AA" (Underlying)
"BBB+" (School Bond Reserve Act)

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Board, assuming compliance by the Board with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.

$13,368,000 SCHOOL BONDS
THE BOARD OF EDUCATION OF THE BOROUGH OF EMERSON
IN THE COUNTY OF BERGEN, NEW JERSEY
(Book-Entry-Only) (Callable)

Dated: December 15, 2018 — Due: September 1, as shown below

The School Bonds (the "Bonds") of The Board of Education of the Borough of Emerson in the County of Bergen, New Jersey (the "Board" or "School District"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of $5,000 or any integral multiple thereof (except for one odd piece in excess of $5,000). See "BOOK-ENTRY-ONLY SYSTEM" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will in turn remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on September 1 of each of the years set forth below, and interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2019, in each year until maturity or prior redemption.

The Bonds are subject to redemption prior to their stated maturities at the prices, at the times and in the manner described herein. See "THE BONDS – Prior Redemption" herein.

The Bonds are general obligations of the Board and are secured by a pledge of the full faith and credit of the Board for the payment of the principal thereof and the interest thereon, and unless paid from other sources, the Bonds and the interest thereon 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 also secured under the provisions of the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, as amended.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2019	$473,000			2029	$665,000		
2020	495,000			2030	690,000		
2021	510,000			2031	715,000		
2022	530,000			2032	735,000		
2023	545,000			2033	765,000		
2024	565,000			2034	790,000		
2025	585,000			2035	815,000		
2026	605,000			2036	845,000		
2027	625,000			2037	870,000		
2028	645,000			2038	900,000		

(plus accrued interest from December 15, 2018)

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about December 20, 2018.

ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 A.M. ON DECEMBER 6, 2018
AT THE EMERSON BOARD OF EDUCATION OFFICE
133 MAIN STREET
EMERSON, NEW JERSEY 07630

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

MEMBERS OF THE BOARD

Ann Pressimone, President
Dr. Benjamin Sallemi, Vice President
Jeremy Teigen
David Cannici
Behrooz Pasdar

SUPERINTENDENT

Brian P. Gatens, Ed.D.

SCHOOL BUSINESS ADMINISTRATOR/
BOARD SECRETARY

Philip H. Nisonoff, Ed.D.

BOARD ATTORNEY

Law Office of John L. Schettino
Hackensack, New Jersey

BOARD AUDITOR

Di Maria & Di Maria, LLP
Lodi, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board of Education or the Underwriters 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 foregoing. The information contained herein has been provided by the Board of Education and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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.

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
BOROUGH OF EMERSON
IN THE COUNTY OF BERGEN, NEW JERSEY

$13,368,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY) (CALLABLE)

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of Borough of Emerson (the "Board" when referring to the governing body and the “School District” when referring to the geographical area governed thereby), in the County of Bergen (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its $13,368,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the School Business Administrator/Board Secretary.

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the successful bidder for the Bonds and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds shall be dated December 15, 2018 and shall mature on September 1 in each of the years and in the amounts as set forth below. The Bonds shall bear interest from their dated date, which interest shall be payable semi-annually on the first day of March and September, commencing on September 1, 2019 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity or prior redemption by the Board or a duly appointed paying agent to the registered owners of the Bonds as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (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 Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds. 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 denomination of $5,000 each or integral multiples thereof (except for one odd piece in excess of $5,000), through book entries made on the books and the 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.

Maturity Schedule

Year	Principal Amount	Year	Principal Amount
2019	$473,000	2029	$665,000
2020	495,000	2030	690,000
2021	510,000	2031	715,000
2022	530,000	2032	735,000
2023	545,000	2033	765,000
2024	565,000	2034	790,000
2025	585,000	2035	815,000
2026	605,000	2036	845,000
2027	625,000	2037	870,000
2028	645,000	2038	900,000

Prior Redemption

The Bonds maturing on or before September 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after September 1, 2027 are subject to redemption at the option of the Board prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after September 1, 2026, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Board determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Board, and within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by $5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/ Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is a part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

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 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.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Board is subject to applicable provisions of Federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of the payment of the Bonds insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality, school district or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board (as hereinafter defined).

New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)

All school bonds are secured by 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")). Amendments to the School Bond Reserve 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 issued prior to July 1, 2003 (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 equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (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 Reserve at the required levels, the State agrees that the State Treasurer 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 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 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 district, county or municipality and shall not obligate the State to make, nor entitle the 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 district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

There have not been any required withdrawals from the School Bond Reserve since its establishment. The School Bond Reserve Act does not contain a covenant by the State to refrain from repealing, revoking, rescinding, modifying or amending the provisions of such Act.

Authorization and Purpose

The Bonds are authorized and are issued pursuant to Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by the Board of Education on August 13, 2018 and approved by a majority of legal voters of the School District voting thereon on October 2, 2018 and by resolutions of the Board of Education adopted November 12, 2018.

The purpose of the referendum is to provide funds: (a) to undertake various improvements and/or renovations and additions at the Memorial Elementary School, Patrick M. Villano Elementary School, and Emerson Jr./Sr. High School; and (b) to acquire the necessary equipment as well as undertake any associated site work. The total cost of the project is $13,368,446. The Board will fund the project primarily with $13,368,000 funded through the issuance of the Bonds. The Board also expects to receive 40.00% debt service aid on the $5,972,656 eligible costs of the project.

BOOK-ENTRY-ONLY SYSTEM[1]

The following description 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 defined below, 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, each 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

[1] Source: The Depository Trust Company

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 and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants 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 affect 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 Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 and principal and interest 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 the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the paying agent, if any, 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 Participants and Indirect Participants.

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

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 to DTC.

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

NO DEFAULT

The Board has never defaulted in the payment of any bonds or notes, nor are any payments of principal of or interest on the Board's indebtedness past due.

MARKET PROTECTION

The Board does not intend to issue any additional bonds or notes during the remainder of calendar year 2019.

THE SCHOOL DISTRICT AND THE BOARD

The Board consists of five (5) members elected to three-year terms. The purpose of the School District is to educate students in grades Pre-K through twelve (12). The Superintendent of the School District is appointed by the Board and is responsible for the administrative control of the School District. The School District is coterminous with the boundaries of the Borough of Emerson (the "Borough"), in the County of Bergen. The School District is a Type II school district without a board of school estimate.

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State 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 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.

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 adopted 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 and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the 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 school 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 categorized 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, which 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, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, 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, approves fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. 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 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 district, 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 school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district.

Under the Uniform Services and Consolidation Act, the Executive County Superintendent is required to eliminate non-operating school districts and to recommend consolidation to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

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

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

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

The Budget Election Law (P.L. 2011, c.202, effective January 17, 2012) established 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 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 years.

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

The Board has chosen to hold its election in November and has not exceeded its two-percent property tax levy cap.

Spending Growth Limitation

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). *See* "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

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 that 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 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 (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 limitation was 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 ("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 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded $40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

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

Debt service was not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, approved July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the "Tax Levy Cap Law"). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal to bank the unused tax levy for use in any of the next three succeeding budget years. A school district can request a use of "banked CAP" only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under Chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, approved, July 24, 2018, which increases State school aid to underfunded districts and decreases state school aid to over funded districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban districts formerly referred to as Abbott Districts referred to herein under "Summary of State Aid to School Districts", are permitted increases in the tax levy over the 2% limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

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

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years; (ii) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board (and approved by a board of school estimate in a Type I school district); and (v) 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.

When a school district changes from a type I to a type II school district and obligations have been authorized and remain unissued by the municipality pursuant to ordinances adopted by the municipality to authorize and issue school debt, the new type II district assumes the obligation of any outstanding notes issued for such purposes and is authorized to issue notes or bonds without further voter approval to fund such purposes or pay off or permanently finance the notes pursuant to N.J.S.A. 18A:24-63. The school district does not assume the obligation of outstanding school bonds issued by the municipality, but the debt would count towards the school district borrowing margin.

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

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public-school accountant must complete the annual audit no later than five months (5) after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district’s audit. Previously the audit was required to be completed within four months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

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

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third and fourth 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.

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 (PreK) through grade twelve (12) school district, the Board can borrow up to 4% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 4% debt limit. *See* “APPENDIX A – Debt Limit of the Board.”

Exceptions to Debt Limitation

A Type II school district (other than a regional school 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).

The School District has not utilized the municipality's borrowing margin. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

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 financings must mature within five years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see "Energy Savings Obligations" below). Facilities lease purchase agreements, which may only be financed 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, effective July 18, 2000, as amended ("EFCFA") repealed the authorization to enter into facilities leases for a term in excess of five years. The payment of rent is treated as a current expense and within the school district's Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) 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 Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the "ESIP Law," school districts may issue energy savings obligations as refunding bonds without voter approval or lease purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district's Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

Promissory Notes for Cash Flow Purposes

N.J.S.A. 18A:22-44.1 permits school districts to issue promissory notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These promissory notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

Investment of School Funds

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S;A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a nonpartisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of these securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Board has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State (the "Court") first 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 State 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") (since 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, since 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 were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State’s responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years, aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State’s then current plan for school aid was a “constitutionally adequate scheme”. However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six years and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

Notwithstanding over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 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 to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2019. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2019 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Borough has not exceeded its statutory debt limit.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough 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 Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes 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).

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit's bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year's required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. The Borough, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations among others, for certification.

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.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the 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.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as any anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may 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 the municipality's calendar 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 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 the last day of that fiscal 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 of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 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 ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.*)* imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits, including the provisions of the recent legislation, would limit the obligation of the Borough to levy ad valorem taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

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 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 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.

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 results 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, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the Borough's Local School District and the County, the tax rate is struck by the Bergen County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, 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 New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Borough's Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first $1,500.00 of the delinquency and 18% per annum on any amount in excess of $1,500.00. These interest and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of $10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

In response to the $10,000 annual limitation on an individual's federal income tax deduction for state and local taxes paid (beginning in 2018 and ending in 2025) contained in the federal "Tax Cuts and Jobs Act", Pub. L. No. 115-97, New Jersey Governor Murphy signed into law Senate Bill No. 1893 ("S-1893") on May 4, 2018. S-1893, which took effect on July 3, 2018, subject to implementing regulations being adopted by various State agencies, authorizes municipalities, counties and school districts ("local units") to establish one or more charitable funds, each for specific public purposes, and permits certain donations to those charitable funds to be credited toward the donor's property tax obligation. Moneys held in a charitable fund are immediately available to pay debt service. The Internal Revenue Service (the "IRS") issued proposed regulations denying the deductibility (except for a de minimis amount) for federal income tax purposes of the property tax credit donation mechanisms authorized by S-1893 and similar laws adopted in other states. The Board makes no representations as to whether the proposed IRS regulations will be adopted in their present form or with changes. Further, the Board makes no representations as to whether any local units will establish charitable funds pursuant to S-1893 or how S-1893 will be implemented.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the Bergen County Board of Taxation on or before April 1 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 New Jersey, 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, or with the permission of the Local Finance Board, may be financed, generally over a three to five year period.

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

This law regulates the non-budgetary 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 accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission.

FINANCIAL STATEMENTS

The financial statements of the Board for the year ended June 30, 2017 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Di Maria & Di Maria, LLP, Lodi, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B - Financial Statements of The Board of Education of the Borough of Emerson in the County of Bergen, New Jersey". Such Financial Statements are included herein for informational purposes only, and the information contained in these Financial Statements should not be used to modify the description of the security for the Bonds contained herein.

LITIGATION

To the knowledge of the Board Attorney, Law Office of John L. Schettino, Hackensack, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material 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 purchaser of the Bonds at the closing.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Board with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Board has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Board's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Board, in executing the Tax Certificate, will certify to the effect that the Board expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Board, assuming compliance by the Board with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. For other Federal tax information, see "Tax Matters - Additional Federal Income Tax Consequences" herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

Proposals for Legislative Change

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

DOCUMENTS ACCOMPANYING THE DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Board shall furnish a certificate of the Board Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Board wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Board or adversely affect the power of the Board to enforce the collection of taxes or other revenues for the payment of its bonds, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Board, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Board has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, the Bonds and the interest thereon are payable from ad valorem taxes levied on all taxable real property in the School District, without limitation as to rate or amount.

Such firm has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See Appendix C, "Proposed Form of Bond Counsel Opinion".

Certificates of Board Officials

The original purchaser of the Bonds shall also receive a certificate dated as of the date of delivery of the Bonds and signed by the School Business Administrator/Board Secretary certifying that (a) as of the date of the Official Statement furnished by the Board in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Board is not guaranteed as to accuracy, completeness or fairness, such officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, since the date of said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Board and no material adverse change in the general affairs of the Board or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Bonds. In addition, the original purchaser of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Board, nor the title of any of the said officers to their respective offices, is being contested.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Board, including the Bonds, and such Bonds are authorized security for any and all public deposits.

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 Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C.

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the purchasers of the Bonds by a certificate signed by the School Business Administrator/Board Secretary.

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

The Auditor has participated in the preparation of this Official Statement on behalf of the Board, but has not independently verified the accuracy, completeness or fairness thereof and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

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. In addition, the Rating Agency has assigned the Bonds an enhanced rating of "BBB+" based on the additional security provided by the New Jersey School Bond Reserve Act.

The ratings will reflect only the view of the Rating Agency and an explanation of the significance of any such ratings may only be obtained from the Rating Agency at 55 Water Street, New York, New York 10041. The Board furnished to the Rating Agency certain information and materials concerning the Bonds and the Board. There can be no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward entirely by the Rating Agency if, in their judgment, circumstances so warrant. Any downward change in or withdrawal of any such ratings may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased at public sale from the Board for resale by the purchasers (the "Underwriters").

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.

SECONDARY MARKET DISCLOSURE

The Board has agreed, pursuant to a resolution adopted on November 12, 2018, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Board will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Board's fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2018, provide or cause to be provided, annual financial information with respect to the Board consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Board and (ii) certain financial information and operating data consisting of (a) information concerning the Board's debt and overlapping indebtedness, including a schedule of outstanding debt issued by the Board, (b) property valuation information, and (c) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles, as modified by governmental accounting standards as may be required by New Jersey law in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal or interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to the rights of Bondholders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Board (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business 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 or the change of name of a trustee, if material.

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Board to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Board fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided*, *however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Board for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Board reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Board no longer remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Board from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Board, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel's opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Board currently does not have undertakings with regard to continuing disclosure within the past five years, as the Board had no outstanding debt within such time period. The Board has appointed Phoenix Advisors, LLC, Bordentown, New Jersey to act as continuing disclosure agent to assist in the filing of certain information with the MSRB’s Electronic Municipal Market Access Dataport as required with respect to the Bonds and future obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Philip H. Nisonoff, Ed.D., School Business Administrator/Board Secretary, at (201) 262-3875, or to the Municipal Advisor, Phoenix Advisors, LLC, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Board will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the School Business Administrator/Board Secretary to deliver a reasonable number of copies thereof in final form to the Underwriters for its use in the sale, resale or distribution of the Bonds.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or 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 Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

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

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

By:/s/______________________________________
Philip H. Nisonoff, Ed.D.
School Business Administrator/Board Secretary

Dated:

APPENDIX A

Economic and Demographic Information Relating to the School District and the Borough of Emerson

INFORMATION REGARDING THE SCHOOL DISTRICT[1]

Type

The School District is a Type II school district that is coterminous with the borders of the Borough of Emerson (the "Board"). The School District provides a full range of educational services appropriate to pre-Kindergarten through grade twelve (12).

The Board is composed of five (5) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Board Secretary/Business Administrator who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

Description of Facilities

The Board presently operates the following school facilities:

Facility	Grade Level	Student Enrollment (As of 6/30/17)
Memorial Elementary School	PreK-2	266
Patrick M. Villano Elementary School	3-6	325
Emerson Jr. Sr. High School	7-12	527

Source: Comprehensive Annual Financial Report of the School District

[1] Source: The Board, unless otherwise indicated.

Staff

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2017, for each of the past five (5) years.

	2017	**2016**	**2015**	**2014**	**2013**
Teaching Professionals	124	127	128	127	123
Support Staff	78	74	74	72	68
Total Full & Part Time Employees	202	201	202	199	191

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

The following table presents the historical average daily pupil enrollments for the past five (5) school years and projections of pupil enrollment.

Pupil Enrollments

School Year	**Enrollment**
2017-2018	1,127
2016-2017	1,118
2015-2016	1,163
2014-2015	1,192
2013-2014	1,191

Projected
Future Enrollments

School Year	**Enrollment**
2019-2020	1,127
2018-2019	1,127

Source: School District and Comprehensive Annual Financial Report of the School District

Labor Relations

Labor Contract Representing	Date of Contract Expiration
Education Association	6/30/2019
Administrators	6/30/2020

Source: School District

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the "Pension System"). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund ("TPAF") and (2) the Public Employee's Retirement System ("PERS"). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the "Division"), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

Fiscal 2018-19 Budget

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if a school district has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If a school district proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The Board has chosen under the Election Law to move its annual school election to November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2018-2019 fiscal year is $21,845,548. The major sources of revenue are $20,137,326 from the local tax levy and $624,754 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

As noted, prior to the Board's budget for its 2012-2013 fiscal year, the Board was required to submit its budget for voter approval. A summary of the last five (5) budget years of the Board is presented below:

Budget Year	Amount Raised in Taxes	Budget Amount
2018-2019	$20,137,326	$21,845,548
2017-2018	19,438,059	21,018,866
2016-2017	18,881,630	20,479,404
2015-2016	18,347,315	19,818,399
2014-2015	17,822,315	20,144,712

Source: Annual User-Friendly Budget of the School District and NJ State Department of Education Website – School Election Results

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Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2013 through June 30, 2017 for the general fund. This summary should be used in conjunction with the tables in the sourced documents from which it is derived (see Appendix B). Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey are required to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED JUNE 30:

	2017	2016	2015	2014	2013
REVENUES					
Local Sources:					
Local Tax Levy	$18,881,630	$18,347,315	$17,822,315	$17,364,797	$17,032,833
Other Local Revenue	684,122	694,890	961,339	805,408	741,131
Total revenues-local sources	19,565,752	19,042,205	18,783,654	18,170,205	17,773,964
State Sources	3,129,300	2,845,232	2,529,391	2,278,944	2,488,436
Federal Sources	0	0	0	0	0
Total Revenues	$22,695,052	$21,887,437	$21,313,045	$20,449,149	$20,262,400
EXPENDITURES					
General Fund:					
Instruction	$8,446,688	$8,454,622	$8,039,358	$7,690,347	$7,953,405
Undistributed Expenditures	13,160,983	13,149,955	12,312,128	11,413,306	11,366,596
Capital Outlay	615,902	405,374	1,455,128	299,655	407,525
Total Expenditures	$22,223,573	$22,009,951	$21,806,614	$19,403,308	$19,727,526
Excess (Deficiency) of Revenues Over/(Under) Expenditures	471,479	(122,514)	(493,569)	1,045,841	534,874
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	0	0	0	0
Transfers in	0	0	0	0	0
Transfers out	0	0	(109,800)	(305,404)	0
Total other financing sources (uses)	0	0	(109,800)	(305,404)	0
Net Change in Fund Balance	471,479	(122,514)	(603,369)	740,437	534,874
Fund Balance, July 1	3,370,274	3,492,788	4,096,157	3,355,720	2,820,846
Fund Balance, June 30	$3,841,753	$3,370,274	$3,492,788	$4,096,157	$3,355,720

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis

Capital Leases

As of June 30, 2017, the Board has no capital leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2017, the Board has operating leases outstanding with payments due through year ending June 30, 2020, totaling $47,700.

Source: Comprehensive Annual Financial Report of the School District

Short Term Debt

As of June 30, 2017, the Board has no short-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Long Term Debt

As of June 30, 2017, the Board has no long-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years (See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to Debt Limitation" herein). The following is a summation of the Board's debt limitation as of June 30, 2018:

Average Equalized Real Property Valuation (2016, 2017, and 2018)	$1,288,108,197
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	$51,524,328
Less: Bonds and Notes Authorized and Outstanding	0
Remaining Limitation of Indebtedness	$51,524,328
Percentage of Net School Debt to Average Equalized Valuation	0.00%

Source: Comprehensive Annual Financial Report of the School District

INFORMATION REGARDING THE BOROUGH[1]

The following material presents certain economic and demographic information of the Borough of Emerson (the "Borough"), in the County of Bergen (the "County"), State of New Jersey (the "State").

General Information

The Borough comprises an area of approximately 2.5 square miles, approximately 14 miles northwest of New York City. Surrounding municipalities include Closter, Harrington Park, Haworth, Oradell, Paramus, River Vale, Washington Township and Westwood.

The Borough is a predominantly residential suburban community with most residences being owner occupied, single family dwellings. There is virtually no manufacturing or other industry and very little undeveloped land. The Borough has, however, a central business district and many professional and commercial offices.

Form of Government

The Borough was organized in 1903 under the borough form of government. There is a Mayor and a Council, composed of six members. The Mayor is elected to serve a four-year term and may succeed that term by reelection. He is empowered, amongst their legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures he deems in the best interest of the Borough, (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although he presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he be a member of the Planning Board and the Board of Trustees of the municipal Public Library.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough Government.

Transportation

Because of its close proximity to New York City, many residents are employed in the City of New York and commute through access of mass transportation. New Jersey Transit offers direct rail service to Hoboken. From there, commuter rail service is available to New York City via the PATH. New Jersey Transit has also opened the Secaucus transfer station where residents are now able to switch train lines and head directly into Penn Station in midtown Manhattan. There are also bus transportation facilities to New York City, Paterson, Newark and other nearby cities.

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[1] Source: The Borough, unless otherwise indicated.

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the "Division"), is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information[2]

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2018, which is based upon the annual billings received from the State, amounted to $184,496 for PERS and $552,972 for PFRS.

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[2] Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

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

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Borough				
2017	3,692	3,559	133	3.6%
2016	3,696	3,554	142	3.8%
2015	3,711	3,549	162	4.4%
2014	3,665	3,483	182	5.0%
2013	3,697	3,438	259	7.0%
County				
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	481,267	455,068	26,199	5.4%
2013	480,543	448,133	32,410	6.7%
State				
2017	4,518,838	4,309,708	209,130	4.6%
2016	4,530,800	4,305,515	225,285	5.0%
2015	4,537,231	4,274,685	262,546	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,754	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2016)

	Borough	County	State
Median Household Income	$109,613	$88,487	$73,702
Median Family Income	124,688	107,465	90,757
Per Capita Income	38,684	44,978	37,538

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

	Borough		County		State	
Year	Population	% Change	Population	% Change	Population	% Change
2017 Estimate	7,739	4.6%	948,406	4.8%	9,005,644	2.4%
2010	7,401	2.8	905,116	2.4	8,791,894	4.5
2000	7,197	3.9	884,118	7.1	8,414,350	8.9
1990	6,930	-11.1	825,380	-2.4	7,730,188	5.0
1980	7,793	-7.5	845,385	-5.8	7,365,001	2.7

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

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

Taxpayers	2018 Assessed Valuation	% of Total Assessed Valuation
Robert Lee Realty Co.	$23,750,000	1.97%
Urstadt Biddle Properties Inc.	13,790,000	1.15%
Emerson Convalescent Center	11,800,000	0.98%
Brea Emerson LLC	9,500,000	0.79%
Hackensack Golf Club	7,029,300	0.58%
452 Old Hook Road Associates LLC	5,004,000	0.42%
Liberty Emerson LLC	4,105,900	0.34%
United Water N.J.	4,025,500	0.33%
Grand Investments IV LLC	3,742,700	0.31%
Hackensack Golf Club	2,947,800	0.24%
Total	$85,695,200	7.12%

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2017	$32,105,293	$31,901,679	99.37%
2016	31,393,093	31,089,224	99.03%
2015	30,678,891	30,385,685	99.04%
2014	29,957,596	29,740,567	99.28%
2013	29,368,882	29,085,569	99.04%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2017	$140,941	$160,024	$300,965	0.94%
2016	120,734	143,401	264,135	0.84%
2015	100,967	231,959	332,926	1.09%
2014	81,610	188,605	270,215	0.90%
2013	70,743	208,355	279,098	0.95%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

Year	Amount
2017	$13,200
2016	13,200
2015	13,200
2014	13,200
2013	13,200

Source: Annual Audit Reports of the Borough

Tax Rates per $100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Borough residents for the past five (5) years.

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Year	Municipal	Local School	County	Total
2018	$0.780	$1.674	$0.263	$2.717
2017	0.780	1.617	0.265	2.662
2016	0.775	1.571	0.258	2.604
2015	0.775	1.529	0.246	2.550
2014	0.766	1.488	0.242	2.496

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

Year	Aggregate Assessed Valuation of Real Property	Aggregate True Value of Real Property	Ratio of Assessed to True Value	Assessed Value of Personal Property	Equalized Valuation
2018	$1,202,626,200	$1,311,050,038	91.73%	$815,009	$1,311,865,047
2017	1,200,986,000	1,289,303,274	93.15	799,629	1,290,102,903
2016	1,201,404,700	1,263,971,278	95.05	802,591	1,264,773,869
2015	1,199,034,800	1,253,302,812	95.67	818,896	1,254,121,708
2014	1,197,284,100	1,228,235,638	97.48	791,718	1,229,027,356

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2018	$15,129,600	$1,021,910,100	$288,400	$160,491,600	$4,806,500	$0	$1,202,626,200
2017	16,703,000	1,018,155,000	288,400	161,033,100	4,806,500	0	1,200,986,000
2016	16,966,300	1,014,035,500	288,400	163,408,000	6,706,500	0	1,201,404,700
2015	17,177,000	1,010,393,600	288,400	164,469,300	6,706,500	0	1,199,034,800
2014	16,385,600	1,008,529,100	288,400	167,274,500	4,806,500	0	1,197,284,100

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

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Financial Operations

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

Anticipated Revenues	2014	2015	2016	2017	2018
Fund Balance Utilized	$625,000	$730,000	$880,000	$830,000	$1,000,000
Miscellaneous Revenues	1,480,775	1,493,294	1,535,440	1,531,355	1,604,821
Receipts from Delinquent Taxes	208,883	197,068	220,000	130,000	150,000
Amount to be Raised by Taxation	9,187,158	9,302,045	9,327,673	9,378,118	9,380,123
Total Revenue:	$11,501,816	$11,722,407	$11,963,113	$11,869,473	$12,134,944
Appropriations					
General Appropriations	$8,526,388	$8,652,697	$8,958,957	$8,910,163	$9,032,668
Operations (Excluded from CAPS)	1,480,275	1,455,527	1,491,528	1,399,875	1,517,280
Deferred Charges and Statutory Expenditures	18,000	118,000	0	44,200	0
Judgments	0	0	0	0	0
Capital Improvement Fund	30,000	65,000	100,000	72,296	35,000
Municipal Debt Service	1,047,153	1,047,183	1,058,628	1,088,939	1,195,996
Reserve for Uncollected Taxes	400,000	384,000	354,000	354,000	354,000
Total Appropriations:	$11,501,816	$11,722,407	$11,963,113	$11,869,473	$12,134,944

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Current Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2017	$2,651,022	$1,000,000
2016	2,209,259	830,000
2015	2,025,136	880,000
2014	1,472,279	730,000
2013	1,384,245	625,000

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2017

General Purpose Debt	
Serial Bonds	$4,513,000
Bond Anticipation Notes	4,508,570
Bonds and Notes Authorized but Not Issued	111,758
Other Bonds, Notes and Loans	708,868
Total:	$9,842,196
Local School District Debt	
Serial Bonds	$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$0
Self-Liquidating Debt	
Serial Bonds	$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	$0
TOTAL GROSS DEBT	**$9,842,196**
Less: Statutory Deductions	
General Purpose Debt	$0
Local School District Debt	0
Self-Liquidating Debt	0
Total:	$0
TOTAL NET DEBT	**$9,842,196**

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2017)[3]

Name of Related Entity	Related Entity Debt Outstanding	Borough Percentage	Borough Share
Local School District	$0	100.00%	$0
BCUA - Water Pollution Control	169,083,686	1.00%	1,685,740
County	1,847,510,320	0.73%	13,524,722
Net Indirect Debt			$15,210,462
Net Direct Debt			9,842,196
Total Net Direct and Indirect Debt			**$25,052,658**

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	$1,268,859,121
Permitted Debt Limitation (3 1/2%)	44,410,069
Less: Net Debt	9,842,196
Remaining Borrowing Power	$34,567,873
Percentage of Net Debt to Average Equalized Valuation	0.776%
Gross Debt Per Capita based on 2010 population of 7,401	$1,330
Net Debt Per Capita based on 2010 population of 7,401	$1,330

Source: Annual Debt Statement of the Borough

[3] Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

APPENDIX B

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

Di Maria & Di Maria LLP
Accountants & Consultants

245 Union Street
Lodi, New Jersey 07644
Voice 973.779.6890
Facsimile 973.779.6891

Independent Auditors' Report

Honorable President and Members of the Board of Education
Emerson School District County of Bergen, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Report (Continued)

Auditors' 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 *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 Emerson School District, Emerson, New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (Continued)

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Emerson School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Independent Auditors' Report (Continued)
Other Matters (Continued)
Other Information (Continued)

The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, schedules of expenditures of federal awards and state financial assistance, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, financial schedules and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Independent Auditors' Report (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the Emerson 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 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 Emerson School District's internal control over financial reporting and compliance.

DI MARIA & DI MARIA LLP
Accountants and Consultants

Frank Di Maria

Frank Di Maria
Licensed Public School Accountant
PSA No. CS 01168

November 30, 2017

REQUIRED SUPPLEMENTAL INFORMATION - PART I

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

This section of the Emerson Board of Education'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.

FINANCIAL HIGHLIGHTS

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

The assets of the Emerson Board of Education exceeded its liabilities at the close of the fiscal year by $58,780 (net position).

The District's total net assets increased $84,592 primarily due to increases in cash balances and deferred pension outflows offset with adjustments due to the implementation of GASB 68.

Overall district revenues were $23,760,520. General revenues accounted for $19,592,252 or 82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,168,268 or 18% of total revenues.

Overall district expenses were $23,675,928. Governmental activities accounted for $22,996,815 or 97% of all expenses. Business-type activities accounted for $679,113 or 3% of all expenses. Governmental activities includes a $327,851 charge to operations related to the implementation of GASB 68.

The school district had $22,996,815 in expenses for governmental activities; only $3,501,565 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes and unrestricted State aid) of $19,592,252 were adequate to provide for these programs excluding the effect of GASB 68.

As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of $3,841,753 an increase of $471,479 when compared to the previous year ending fund balance at June 30, 2016 of $3,370,274.

The General Fund unassigned fund balance at June 30, 2017 was $676,026 an increase of $25,584 when compared with the ending unassigned fund balance at June 30, 2016 of $650,442.

The General Fund unassigned budgetary fund balance at June 30, 2017 was $697,780 which represents an increase of $14,247 when compared to the ending fund balance at June 30, 2016 of $683,533.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), the basic *financial statements*, *required supplementary information*, and an optional section that presents *combining statements for special revenue, proprietary, and fiduciary funds*. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *government wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

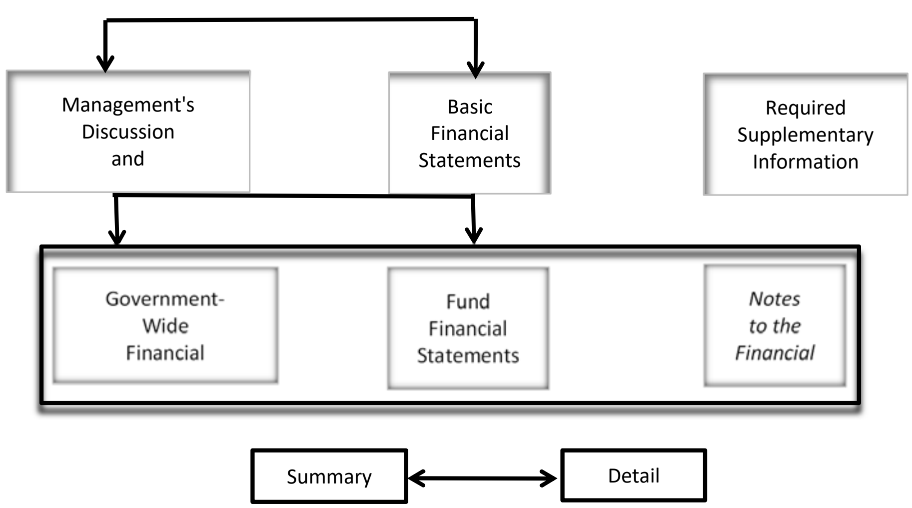
The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in *more detail* than the district-wide statements.

The *governmental funds statements* tell how tell how *general government* services like instruction 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, such as the food service program.

Fiduciary fund 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 the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following illustration shows how the various parts of this annual report are arranged and related to one another.



The following table summarizes the major features of the District's financial statements, including the portion of the District's government 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 food service and student activity	Activities the district operates similar to private businesses: Enterprise Fund	Instances in which the district administers resources held in trust, 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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets 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 there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
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 revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-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 government's assets and liabilities. 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 government-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

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 government-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 where the District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Fund is included under this category.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending for particular purposes:

Some funds are required by State law and bond covenants.

The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

1. 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 government-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or difference) between them.

2. Proprietary funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds like the government-wide statements, provide both long and short term financial information. In fact, the District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows. 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 the following enterprise funds:

Food Service (Cafeteria)
Adult School
BCBANC
Pre-K

3. Fiduciary funds - The District is the trustee, or *fiduciary*, for assets that - because of a trust arrangement - can be used only for the trust beneficiaries. 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 government-wide financial statements because the District cannot use these assets to finance its operations.

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 exceeded liabilities by $58,780 as of June 30, 2017 and did not exceed them by ($25,812) as of June 30, 2016. Primarily accounting for this difference are higher cash balances and increases in deferred pension outflows offset by a $327,851 charge to operations related to the implementation of GASB 68 in FY2017 and $312,115 in FY2016.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position
As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	$ 5,204,891	$ 4,756,123	$ 139,616	$ 136,177	$ 5,344,507	$ 4,892,300
Capital Assets	1,405,445	1,449,616	-	-	1,405,445	1,449,616
Pension Deferred Outflows	1,692,982	682,883	-	-	1,692,982	682,883
Total Assets	8,303,318	6,888,622	139,616	136,177	8,442,934	7,024,799
Long-Term Liabilities	190,343	187,888	-	-	190,343	187,888
Other Liabilities	1,363,138	1,385,849	26,742	10,893	1,389,880	1,396,742
Net Pension Liability	6,415,859	5,202,980	-	-	6,415,859	5,202,980
Pension Deferred Inflows	388,072	263,001	-	-	388,072	263,001
Total Liabilities	8,357,412	7,039,718	26,742	10,893	8,384,154	7,050,611
Net Assets						
Invested in capital assets, net of related debt	1,405,445	1,449,616	-	-	1,405,445	1,449,616
Restricted	2,463,835	2,105,626	-	-	2,463,835	2,105,626
Unrestricted	(3,923,374)	(3,706,338)	112,874	125,284	(3,810,500)	(3,581,054)
Total Net Assets	$ (54,094)	$ (151,096)	$ 112,874	$ 125,284	$ 58,780	$ (25,812)

A small portion of the District's Net Assets, less than one percent, represents resources that are subject to external restrictions on how they maybe used. The remaining balance of unrestricted net position is a result of how the district expenses its long-term liabilities for governmental activities such as compensated absences and claims and judgments on the District-wide financial statements. These long-term liabilities are recorded and expensed for governmental activities at the time the liabilities are incurred regardless of when payment is due. However, the revenue for these long-term liabilities of governmental activities is not raised until these liabilities are included in the District budget when compensated absences and claims and judgments for governmental activities are due and payable.

The recording of assets and liabilities pertaining to pension liabilities, inflows and outflows are now required by GASB 68 which dictates that Districts recognize their proportionate share of the collective net pension liability, collective deferred inflows and outflows of resources and collective pension expense.

EMERSON BOARD OF EDUCATION
EMERSON, NEW JERSEY

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

Change in Net Position
For The Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2016	2016	2016	2016	2015
Revenues						
Program Revenues:						
Charges for Services	$ 19,487	$ 16,887	$ 604,396	$ 592,586	$ 623,883	$ 609,473
Operating Grants and Contribution	3,482,078	3,228,767	62,307	58,915	3,544,385	3,287,682
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	18,881,630	18,347,315	-	-	18,881,630	18,347,315
State and Federal Aid	-	-	-	-	-	-
Other	710,622	678,003	-	-	710,622	678,003
Total Revenues	23,093,817	22,270,972	666,703	651,501	23,760,520	22,922,473
Expenses						
Instruction:						
Regular	5,842,344	5,861,777	-	-	5,842,344	5,861,777
Special Education	2,149,830	2,114,959	-	-	2,149,830	2,114,959
Basic Skills/Remedial	157,825	148,100	-	-	157,825	148,100
Bilingual Education	91,500	85,110	-	-	91,500	85,110
School Sponsored Cocurricular/Extracurricular Activities & Athletics	603,774	627,941	-	-	603,774	627,941
Undistributed Expenditures:						
Instruction	1,780,262	1,916,373	-	-	1,780,262	1,916,373
Attendance and Social Work Services	24,602	23,314	-	-	24,602	23,314
Health Services	218,269	203,815	-	-	218,269	203,815
Speech, OT, PT, Related Services	130,692	126,447	-	-	130,692	126,447
Extraordinary Services	232,329	350,295	-	-	232,329	350,295
Guidance	342,093	431,881	-	-	342,093	431,881
Child Study Team	446,078	352,819	-	-	446,078	352,819
Educational Media Services/School Library	217,105	208,703	-	-	217,105	208,703
Instructional Staff Training Services	76,608	82,651	-	-	76,608	82,651
Support Svcs-General Administratio	337,372	331,540	-	-	337,372	331,540
Support Svcs-School Administration	1,096,008	917,513	-	-	1,096,008	917,513
Central Services	441,031	429,011	-	-	441,031	429,011
Required Maintenance for School Facilities	785,394	909,729	-	-	785,394	909,729
Operation and Maintenance of Plant Services	919,263	911,299	-	-	919,263	911,299
Care and Upkeep of Grounds	93,405	73,049	-	-	93,405	73,049
Student Transportation Services	476,078	429,787	-	-	476,078	429,787
Personal Services - Employee Benefits	3,563,321	3,693,291	-	-	3,563,321	3,693,291
TPAF Pension	1,695,135	1,450,613	-	-	1,695,135	1,450,613
TPAF Social Security	616,424	600,390	-	-	616,424	600,390
Capital Outlay:						
Interest Deposit to Capital Reserve	-	-	-	-	-	-
Equipment	197,667	261,846	-	-	197,667	261,846
Facilities Acquisition and Construction Services	462,406	316,492	-	-	462,406	316,492
Debt Service:						
Interest on Bonds	-	-	-	-	-	-
Principal on Bonds	-	-	-	-	-	-
Food Services	-	-	679,113	608,229	679,113	608,229
Total Expenses	22,996,815	22,858,745	679,113	608,229	23,675,928	23,466,974

Change in Net Position	97,002	(587,773)	(12,410)	43,272	84,592	(544,501)
Net Position, Beginning	(151,096)	436,677	125,284	82,012	(25,812)	518,689
Net Position, Ending	$ (54,094)	$ (151,096)	$ 112,874	$ 125,284	$ 58,780	$ (25,812)

Governmental Activities - The District's total governmental activities' revenues, which includes State and Federal grants, were $23,093,817 and $22,270,972 for the years ended June 30, 2017 and June 30, 2016, respectively. Property taxes of $ 18,881,630 and $18,347,315 represented 82% and 82% of the revenues for the fiscal years ended June 30, 2017 and 2016, respectively. Another significant portion of revenues came from state aid; total state, federal and local aid and grants was $3,474,368 and $3,187,619 which represented 15% and 14% of the revenues for the fiscal years ended June 30, 2017 and 2016, respectively. State, federal and local aid and grants are reported as operating and capital grants and contributions if specific to a program or as general revenues if not specific to a program. In addition, other miscellaneous income is earned which includes items such as interest, prior year refunds and other miscellaneous items.

The total cost of all governmental activities programs and services were $22,622,338 and $22,393,486 for the years ended June 30, 2017 and 2016. The District's expenses are predominantly related to educating and caring for students. Instruction totaled $8,845,273 and $8,837,887 (39% and 40%) of total expenditures for the fiscal years ended June 30, 2017 and 2016, respectively. Support services, totaled $13,777,065 and $13,555,599 (61% and 60%) of total expenditures.

Business-Type-Activities - The District's total business-type activities revenues were $666,703 and $651,501 for the years ended June 30, 2017 and June 30, 2016. Charges for services accounted for 91% and 91% of total revenues and operating grants and contributions accounted for 9% and 9% of total revenue for the years ended June 30, 2017 and 2016. There were no capital grants received for years ended June 30, 2017 or 2016.

The total cost of all business-type activities programs and services were $679,113 and $608,229 for the years ended June 30, 2017 and 2016. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District and Adult School programs.

The business-type activities revenues (including transfers) for the year ended June 30, 2017 did not surpass expenses, decreasing net assets by ($12,410) below the previous year from $125,284 at June 30, 2016 to $112,874 at June 30, 2017. The cost of business-type activities this year was $679,113, an increase of $70,884 (12%) from the previous year.

Some of the cost was paid by users of the Districts food service and Adult School programs for a total of $604,396, an increase of $11,810 (2%).

The Federal and State governments subsidized the food service program with grants and contributions of $62,307, an increase of $3,392 (6%).

Increases in expenses reflected the increased cost of sales (i.e., food and supply costs) associated with higher food prices offset with reductions in other purchased services, supplies and depreciation.

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 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 $3,841,753 for the year ended June 30, 2017 compared to a fund balance of $3,370,274 for the year ended June 30, 2016, an increase in the balance of $471,479 for the year.

Revenues for the District's governmental funds were $23,093,817 and $22,270,972, while total expenses were $22,622,338 and $22,393,486 for the fiscal years ended June 30, 2017 and 2016, respectively.

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

The following schedule presents a comparison of General Fund Revenues for the fiscal years ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources:				
Property Tax Levy	$ 18,881,630	$ 18,347,315	$ 534,315	3%
Miscellaneous	684,122	694,890	(10,768)	-2%
State Sources	3,129,300	2,845,232	284,068	10%
Federal Sources	-	-	-	
Total General Fund Revenues	$ 22,695,052	$ 21,887,437	$ 807,615	4%

Local property taxes increased by $534,315 or 3% over the previous year. State aid revenues increased $284,068, or 10%, predominantly attributable to a change in the State funding formula and adjustments made to aid during the year. Federal aid revenues decreased by $ 0 due to no current year receipt of special education Medicaid funds.

The following schedule presents a comparison of General Fund expenditures for the fiscal years ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016	Amount of Increase (Decrease)	Percent Increase (Decrease)
Instruction	$ 8,446,688	$ 8,454,622	$ (7,934)	0%
Support Services	13,160,983	13,149,955	11,028	0%
Debt Services	-	-	-	
Capital Outlay	615,902	405,374	210,528	52%
Total Expenditures	$ 22,223,573	$ 22,009,951	$ 213,622	1%

Total General Fund expenditures increased $213,622 or 1% from the previous year. The increase can be attributed mostly to increases in capital outlay costs related to the renovation of the life skills classroom in the High School, purchase of a school van and replacement of the HVAC system in the auditorium.

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 with special needs.

Revenues of the Special Revenue Fund were $398,765 and $383,535 for the years ended June 30, 2017 and 2016. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 86% and 89% of the total revenues for the years ended June 30, 2017 and 2016.

Total Special Revenue Fund revenues increased $15,230 or 4% from the previous year. State sources decreased $147 or 25% and Federal sources increased by $2,828 or 1%.

Expenditures of the Special Revenue Fund were $398,765 and $383,535 for the fiscal years ended June 30, 2017 and 2016. Instructional expenditures were $398,585 and $383,265 or 99% and 99% and expenditures for the support services were $180 and $270 or 1% and 1% of the total amounts expended for the years ended June 30, 2017 and 2016, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the budgetary basis and encumbrance accounting. The most significant mandated revenue recognition of certain deferred state aid payments for budgetary purposes only. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times through appropriation transfers between budget line items.

Implementing budgets for specially funded projects, which include both Federal and State grants.

Reinstating prior year purchase orders being carried over as encumbrances.

Increases in appropriations for significant unbudgeted costs.

General Fund budgetary revenues exceeded General Fund budgetary and other financing uses increasing budgetary fund balance $460,142 from the previous year. After deducting statutory reserves and designations, the unassigned budgetary fund balance increased $14,247 from a $683,533 balance at June 30, 2016 to a $697,780 fund balance at June 30, 2017.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2017 and 2016 amounted to $1,405,445 and $1,449,616 (net of accumulated depreciation). The capital assets consist of land, land improvements, buildings, building improvements, computers, specialized machinery, vehicles and various other types of equipment. Depreciation charges for fiscal years 2016-2017 and 2015-2016 amounted to $232,823 and $220,955 for governmental activities and $0 and $0 for business-type activities.

Additional information on the District's capital assets is presented in Note 6 of this report. Asset values were previously adjusted to reflect actual amounts as reported by an independent appraisal company analysis completed in the fall of 2014.

LONG TERM LIABILITIES

At June 30, 2017 and 2016, the District's long-term liabilities consisted of bonds payable of $0 and $0, capital lease payable of $0 and $0, and compensated absences payable of $190,343 and $187,888, respectively.

Additional information on the District's long term liabilities is presented in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

While many factors influence the District's future, the availability of State funding, special education needs, capital improvements and the economy will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the District's administration during the process of developing the fiscal year 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, as well as, increased special education tuition 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 School Business Administrator, Emerson Board of Education.

SECTION "A" - DISTRICT WIDE FINANCIAL STATEMENTS

EMERSON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 2,511,918	$ 134,627	$ 2,646,545
Receivables, (Net)	329,138	4,989	334,127
Restricted Assets:			
Emergency Reserve Account	101,411	-	101,411
Capital Reserve Account	2,262,424	-	2,262,424
Capital Assets, (Net)	1,405,445	-	1,405,445
Deferred Pension Outflows	1,692,982	-	1,692,982
Total Assets	$ 8,303,318	$ 139,616	$ 8,442,934
LIABILITIES			
Accounts Payable	$ 1,363,138	$ 26,742	$ 1,389,880
Deferred Pension Inflows	388,072	-	388,072
Net Pension Liability	6,415,859	-	6,415,859
Non-Current Liabilities:			
Due Within One Year	-	-	-
Due Beyond One Year	190,343	-	190,343
Total liabilities	$ 8,357,412	$ 26,742	$ 8,384,154
NET POSITION			
Net Investment in Capital Assets	$ 1,405,445	$ -	$ 1,405,445
Restricted for:			
Emergency	101,411	-	101,411
Capital Projects	2,262,424	-	2,262,424
Other Purposes	100,000	-	100,000
Unrestricted	(3,923,374)	112,874	(3,810,500)
Total Net Position	$ (54,094)	$ 112,874	$ 58,780

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

EMERSON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Expenses				Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
Functions/Programs	Budgetary Basis	Adjustments	Depreciation	Total	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-type Activities	Total
Governmental Activities:											
Current Expense:											
Instruction:											
Regular Programs	$ 5,842,344	$ -	$ -	$ 5,842,344	$ 2,029	$ 161,248	$ -	$ 163,277	$ (5,679,067)	$ -	$ (5,679,067)
Special Education	2,149,830	-	-	2,149,830	-	952,831	-	952,831	(1,196,999)	-	(1,196,999)
Basic Skills/Remedial	157,825	-	-	157,825	-	-	-	-	(157,825)	-	(157,825)
Bilingual Education	91,500	-	-	91,500	-	-	-	-	(91,500)	-	(91,500)
School Sponsored Cocurricular/Extracurricular Activities	239,618	-	-	239,618	-	-	-	-	(239,618)	-	(239,618)
School Sponsored Athletics	364,156	-	-	364,156	-	-	-	-	(364,156)	-	(364,156)
Undistributed Expenditures:											
Instruction	1,780,262	-	-	1,780,262	-	-	-	-	(1,780,262)	-	(1,780,262)
Attendance and Social Work Services	24,602	-	-	24,602	-	-	-	-	(24,602)	-	(24,602)
Health Services	218,269	-	-	218,269	-	180	-	180	(218,089)	-	(218,089)
Speech, OT, PT, Related Services	130,692	-	-	130,692	-	-	-	-	(130,692)	-	(130,692)
Extraordinary Services	232,329	-	-	232,329	-	-	-	-	(232,329)	-	(232,329)
Guidance	342,093	-	-	342,093	-	-	-	-	(342,093)	-	(342,093)
Child Study Team	446,078	-	-	446,078	-	-	-	-	(446,078)	-	(446,078)
Educational Media Services - School Library	217,105	-	-	217,105	-	-	-	-	(217,105)	-	(217,105)
Instructional Staff Training Services	76,608	-	-	76,608	-	-	-	-	(76,608)	-	(76,608)
Support Services - General Administration	337,372	-	-	337,372	-	-	-	-	(337,372)	-	(337,372)
Support Services - School Administration	1,096,008	-	-	1,096,008	-	-	-	-	(1,096,008)	-	(1,096,008)
Central Services	441,031	-	-	441,031	-	-	-	-	(441,031)	-	(441,031)
Required Maintenance for School Facilities	785,394	-	-	785,394	-	21,975	-	21,975	(763,419)	-	(763,419)
Operation and Maintenance of Plant Services	919,263	-	-	919,263	-	-	-	-	(919,263)	-	(919,263)
Care and Upkeep of Grounds	93,405	-	-	93,405	-	-	-	-	(93,405)	-	(93,405)
Student Transportation Services	476,078	-	-	476,078	17,458	34,285	-	51,743	(424,335)	-	(424,335)
Employee Benefits	3,233,015	330,306	-	3,563,321	-	-	-	-	(3,563,321)	-	(3,563,321)
TPAF Pension	1,695,135	-	-	1,695,135	-	1,695,135	-	1,695,135	-	-	-
TPAF Social Security	616,424	-	-	616,424	-	616,424	-	616,424	-	-	-
Capital Outlay:											
Interest Deposit to Capital Reserve	-	-	-	-	-	-	-	-	-	-	-
Equipment	153,496	(188,652)	232,823	197,667	-	-	-	-	(197,667)	-	(197,667)
Facilities Acquisition and Construction Services	462,406	-	-	462,406	-	-	-	-	(462,406)	-	(462,406)
Debt Service:											
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	$ 22,622,338	$ 141,654	$ 232,823	$ 22,996,815	$ 19,487	$ 3,482,078	$ -	$ 3,501,565	$ (19,495,250)	$ -	$ (19,495,250)
Business-Type Activities	$ 679,113	$ -	$ -	$ 679,113	$ 604,396	$ 62,307	$ -	$ 666,703	$ -	$ (12,410)	$ (12,410)
Total Primary Government	$ 23,301,451	$ 141,654	$ 232,823	$ 23,675,928	$ 623,883	$ 3,544,385	$ -	$ 4,168,268	$ (19,495,250)	$ (12,410)	$ (19,507,660)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Local Tax Levy	$ 18,881,630	$ -	$ 18,881,630
Other Local Governmental Units - Restricted	477,791	-	477,791
Tuition from Individuals	-	-	-
Transportation Fees from Individuals	-	-	-
Texbook Sales and Rentals	-	-	-
Interest Earned on Emergency Reserve Funds	558	-	558
Interest Earned on Capital Reserve Funds	7,650	-	7,650
Unrestricted Miscellaneous Revenues	178,636	-	178,636
State Sources	45,987	-	45,987
Federal Sources	-	-	-
Total General Revenues	19,592,252	-	19,592,252
Change in Net Position	97,002	(12,410)	84,592
Net Position—Beginning	(151,096)	125,284	(25,812)
Net Position—Ending	$ (54,094)	$ 112,874	$ 58,780

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

SECTION "B" - FUND FINANCIAL STATEMENTS

EMERSON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

		General Fund		Special Revenue Fund		Capital Projects Fund		Debt Service Fund		Total
ASSETS										
Cash - Warrant Account	$	2,506,291	$	5,627	$	-	$	-	$	2,511,918
Cash - Emergency Reserve Account		101,411		-		-		-		101,411
Cash - Capital Reserve Account		2,262,424		-		-		-		2,262,424
Intergovernmental Receivable:										
Federal		-		-		-		-		-
State		322,289		-		-		-		322,289
Other		6,849		-		-		-		6,849
Total Assets	$	5,199,264	$	5,627	$	-	$	-	$	5,204,891
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable	$	1,357,511	$	5,627	$	-	$	-	$	1,363,138
Deferred Revenue		-		-		-		-		-
Deferred Revenue - Reserve for Encumbrances		-		-		-		-		-
Total Liabilities	$	1,357,511	$	5,627	$	-	$	-	$	1,363,138
Fund Balances:										
Reserve for Encumbrances	$	701,892	$	-	$	-	$	-	$	701,892
Emergency Reserve Account		101,411		-		-		-		101,411
Capital Reserve Account		2,262,424		-		-		-		2,262,424
Restricted for:										
Subsequent Years' Expenditures		100,000		-		-		-		100,000
Unreserved		676,026		-		-		-		676,026
Total Fund Balances	$	3,841,753	$	-	$	-	$	-	$	3,841,753
Total Liabilities and Fund Balances	$	5,199,264	$	5,627	$	-	$	-	$	5,204,891
		-		-		-		-		-

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:	$	3,841,753
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,405,445
Deferred Outflows related to pension contributions subsequent to the Net Pension Liablity measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements.		1,692,982
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements.		(388,072)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilties in the funds.		(6,415,859)
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.		(190,343)
Net assets of governmental activities	$	(54,094)

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

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

	General	Special Revenue	Capital Projects	Debt Service	Total
REVENUES					
Local Sources:					
Local Tax Levy	$ 18,881,630	$ -	$ -	$ -	$ 18,881,630
Other Local Governmental Units - Restricted	477,791	-	-	-	477,791
Tuition from Individuals	2,029	-	-	-	2,029
Transportation Fees from Individuals	17,458	-	-	-	17,458
Texbook Sales and Rentals	-	-	-	-	-
Interest Earned on Emergency Reserve Funds	558	-	-	-	558
Interest Earned on Capital Reserve Funds	7,650	-	-	-	7,650
Unrestricted Miscellaneous Revenues	178,636	53,697	-	-	232,333
Total Local Sources	$ 19,565,752	$ 53,697	$ -	$ -	$ 19,619,449
State Sources	3,129,300	447	-	-	3,129,747
Federal Sources	-	344,621	-	-	344,621
Total Revenues	$ 22,695,052	$ 398,765	$ -	$ -	$ 23,093,817
EXPENDITURES					
Current Expense:					
Instruction:					
Regular Programs	$ 5,681,096	$ 161,248	$ -	$ -	$ 5,842,344
Special Education	1,912,493	237,337	-	-	2,149,830
Basic Skills/Remedial	157,825	-	-	-	157,825
Bilingual Education	91,500	-	-	-	91,500
School Sponsored Cocurricular/Extracurricular Activities	239,618	-	-	-	239,618
School Sponsored Athletics	364,156	-	-	-	364,156
Undistributed Expenditures:					
Instruction	1,780,262	-	-	-	1,780,262
Attendance and Social Work Services	24,602	-	-	-	24,602
Health Services	218,089	180	-	-	218,269
Speech, OT, PT, Related Services	130,692	-	-	-	130,692
Extraordinary Services	232,329	-	-	-	232,329
Guidance	342,093	-	-	-	342,093
Child Study Team	446,078	-	-	-	446,078
Educational Media Services - School Library	217,105	-	-	-	217,105
Instructional Staff Training Services	76,608	-	-	-	76,608
Support Services - General Administration	337,372	-	-	-	337,372
Support Services - School Administration	1,096,008	-	-	-	1,096,008
Central Services	441,031	-	-	-	441,031
Required Maintenance for School Facilities	785,394	-	-	-	785,394
Operation and Maintenance of Plant Services	919,263	-	-	-	919,263
Care and Upkeep of Grounds	93,405	-	-	-	93,405
Student Transportation Services	476,078	-	-	-	476,078
Employee Benefits	3,233,015	-	-	-	3,233,015
TPAF Pension	1,695,135	-	-	-	1,695,135
TPAF Social Security	616,424	-	-	-	616,424
Capital Outlay:					
Interest Deposit to Capital Reserve	-	-	-	-	-
Equipment	153,496	-	-	-	153,496
Facilities Acquisition and Construction Services	462,406	-	-	-	462,406
Debt Service:					
Bond Interest	-	-	-	-	-
Bond Principal	-	-	-	-	-
Total Expenditures	$ 22,223,573	$ 398,765	$ -	$ -	$ 22,622,338
	-				
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 471,479	$ -	$ -	$ -	$ 471,479
OTHER FINANCING SOURCES (USES)					
Operating Transfers	-	-	-	-	-
Net Change In Fund Balances	$ 471,479	$ -	$ -	$ -	$ 471,479
Fund Balances - July 1	3,370,274	-	-	-	3,370,274
Fund Balances - June 30	$ 3,841,753	$ -	$ -	$ -	$ 3,841,753

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

EMERSON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (B2)	$	471,479
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense		(232,823)
Capital Outlays		188,652
Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.		(327,851)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		-
Net Change in Compensated Absences		(2,455)
Change in net assets of governmental activities	$	97,002

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

EMERSON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities
ASSETS	
Current Assets:	
Cash	$ 134,627
Intergovernmental Receivable:	
State	216
Federal	4,773
Total Assets	$ 139,616
LIABILITIES	
Accounts Payable	$ 26,742
NET POSITION	
Unrestricted	$ 112,874

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

EMERSON SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

		Business-Type Activities
OPERATING REVENUES		
Charges for Services:		
Daily Sales - Reimburseable Programs	$	317,888
Daily Sales - Non-Reimburseable Programs		9,991
Community Service Activites		276,517
Total Operating Revenues	$	604,396
OPERATING EXPENSES		
Salaries	$	99,540
Other Purchased Services - Reimburseable Programs		398,585
Other Purchased Services		40,510
Supplies & Materials		63,983
Miscellaneous		76,495
Total Operating Expenses	$	679,113
Operating Income (Loss)	$	(74,717)
NON-OPERATING REVENUES		
State Sources:		
State School Lunch Program	$	2,727
Federal Sources:		
School Breakfast Program		9,186
National School Lunch Program		50,394
Total Non-Operating Revenues	$	62,307
Change in Net Position	$	(12,410)
Total Net Position - Beginning		125,284
Total Net Position - Ending	$	112,874

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

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

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Sales	$ 604,396
Payments for Operating Expenses	(662,964)
	$ (58,568)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Flows from State and Federal Reimbursements	$ 62,378
CASH FLOWS FROM INVESTING ACTIVITES	
Puchase of Capital Assets	$ -
Net Increase/(Decrease) in Cash	$ 3,810
Balances - Beginning of Year	130,817
Balances - End of Year	$ 134,627
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (74,717)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by	
(Used for) Operating Activities:	
Fixed Assets	-
(Increase) Decrease in Accounts Receivable	-
Increase (Decrease) in Accounts Payable	16,149
Depreciation	-
Net Cash Provided by (Used For) Operating Activities	$ (58,568)
	-

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

EMERSON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

ASSETS		
Cash	$	324,515
LIABILITIES		
Due to Student Groups	$	184,734
Payroll, Deductions and Withholdings Payable		15,337
Total Liabilities	$	200,071
NET POSITION		
Held in Trust for Unemployment Claims	$	124,444

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

EMERSON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS		
Transfers - Employee Contributions	$	19,822
Transfers - Budget Appropriation		-
Investments Earnings		550
	$	20,372
DEDUCTIONS		
Unemployment Claims	$	9,954
Interest Transferred to Warrant A/C		48
	$	10,002
Change in Net Position	$	10,370
Net Position - Beginning		114,074
Net Position - Ending	$	124,444

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

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Board of Education (Board) of the Emerson School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Emerson School District is a Type II School District located in Bergen County, New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of 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. The District includes three school facilities, all located in the Borough of Emerson which support the following programs:

- Regular Programs:
  - Preschool
  - Kindergarten
  - Grades 1 - 5
  - Grades 6 - 8
  - Grades 9 - 12
- Special Education Programs:
  - Cognitive - Mild
  - LLD

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* , is whether (1) the organization is legally separate (can sue or be sued in their own name), (2) the District holds the corporate powers of the organization, (3) the District appoints a voting majority of the organization’s board, (4) the District is able to impose its will on the organization, (5) the organization has the potential to impose a financial benefit/burden on the District and (6) there is a fiscal dependency by the organization on the District.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types --

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds. The special revenue fund is specifically used to account for state and federal grant monies that have been allocated to the District.

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.)

Proprietary Fund Type --

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types --

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of others as their agent. Agency funds are custodial in nature and do not involve a measurement of results of operations.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office for approval and as long as the District budget is within State mandated CAPs, there is no public vote on the budget. If the budget exceeds State mandated CAPs, the voters have an opportunity to approve or reject the budget at the regular election held in November. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23-2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the County Superintendent of Schools. All budget amendments must be approved by School Board resolution.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Encumbrances

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 reservations of 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. Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

G. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

H. Capital Assets

Capital assets acquired or constructed prior to June 30, 1999, are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company.

Capital assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2017, the amount earned by these employees but not disbursed was $0.

J. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See note 1(e) regarding the special revenue fund.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

L. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriatable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

M. Memorandum Only - Total Columns

Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

Note 1 - Summary of Significant Accounting Policies (Continued)

N. Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of changes on the District's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

O. Accounting Changes

As a result of recently effective pronouncements by the Governmental Accounting Standards Board (GASB) the terminology for Net Assets has been revised to *Net Position*. This change was only a terminology change and did not have an impact on either *Fund Balance or Net Position* (formerly identified as Net Assets). In addition, GASB has also introduced the concept of *Deferred Inflows and Outflows* to identify categories that were previously identified as *Liabilities or Assets*, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items which arises only under the accrual basis of accounting that qualifies for reporting in this category the first of which is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

The other item that qualifies for reporting in this category is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed. The Board does not have any of these types of items to report.

Note 1 - Summary of Significant Accounting Policies (Continued)

Q. 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.*

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Q. New Accounting Standards (Continued)

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. The 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)).

Note 1 - Summary of Significant Accounting Policies (Continued)

Q. New Accounting Standards (Continued)

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.

Note 2 - Cash, Cash Equivalents and Investments

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with District policy.

Deposits --

The District'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 District is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or $200 million for all deposits not covered by the FDIC.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to $250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm.

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 District does not have a policy for custodial credit risk. As of June 30, 2017, the District had no bank balances exposed to custodial credit risk.

Investments --

New Jersey statute N.J.S.A. 18A:20-37 permits the Board to purchase the following types of securities:

A. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
B. Government money market mutual funds;
C. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor.
D. 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.
E. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of the Treasury for investment by school districts
F. Local government investment pools.
G. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L.1977, c.281 (C.52:18A-90.4)
H. Agreements for the repurchase of fully collateralized securities, if:
(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a.;
(b) the custody of collateral is transferred to a third party;
(c) the maturity of the agreement is not more than 30 days;
(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017, cash and cash equivalents and investments of the District consisted of the following:

	Cash	Investments
Checking/Money Market Accounts - Governmental Funds	$ 4,875,753	$ -
Checking/Money Market Accounts - Proprietary Funds	134,627	-
Checking/Money Market Accounts - Fiduciary Funds	324,515	-
	$ 5,334,895	$ -

Note 3 - Tax Abatements

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

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

Review of the Borough of Emerson's 2017 User Friendly Budget (Sheet UFB-6) disclosed the following Tax Abatement (PILOT) Agreements:

Project Name:	Advancing Opportunities	
PILOT Billing:	$	6,000
Assessed Value	$	332,700
Taxes if Billed in Full @ 2016 Tax Rate ($2.604)	$	8,664

Note 4 - Capital Reserve Account

A capital reserve account was established by the Board of Education in a prior year, which was certified for taxes, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the 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 (June 1 to June 30) 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.* 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance	$ 1,904,774
Increases:	
Local Funds Transferred	700,000
Interest Earned	7,650
Decreases:	
Budgeted Withdrawals for DOE approved project included in LRFP (Fund 12)	(350,000)
Ending Balance	$ 2,262,424

Note 5 - Emergency Reserve Account

The emergency reserve account is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education in subsequent fiscal years. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. A District may appropriate funds into the emergency reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of 4% or the withdrawal is included in the original budget certified for taxes to finance school security improvements to school facilities pursuant to 18A:7G-6(c)1. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of $250,000 or 1% of the General Fund budget not to exceed $1 million dollars.

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

Beginning Balance	$	100,852
Increases:		
Deposits Authorized by Board Resolution		-
Interest Earned		559
Decreases:		
Withdrawals Approved by Commissioner		-
Ending Balance	$	101,411

Note 6 - Capital Assets

The following schedule is a summarization of the changes in capital assets for the fiscal year ended June 30, 2017:

	Beginning Balance	Additions	Disposals	Adjustments	Ending Balance
Governmental Activities --					
Capital Assets being Depreciated	$ 7,384,335	$ 188,652	$ -	$ -	$ 7,572,987
Less Accumulated Depreciation	(5,934,719)	(232,823)	-	-	(6,167,542)
Net Assets for Governmental Activities	$ 1,449,616	$ (44,171)	$ -	$ -	$ 1,405,445

Business Type Activities --

	Beginning Balance	Additions	Disposals	Adjustments	Ending Balance
Capital Assets being Depreciated	$ -	$ -	$ -	$ -	$ -
Less Accumulated Depreciation	-	-	-	-	-
Net Assets for Business Type Activities	$ -	$ -	$ -	$ -	$ -

Note 7 - Operating Leases and Other Commitments

The District has commitments to lease copying equipment and postage meters under operating leases which expire on various dates in 2020 and 2019, respectively. Lease terms are 60 and 51 months with monthly payments of $1,255 and $35, respectively. Total operating lease payments made during the year ended June 30, 2017 were $15,900. Future minimum lease payments are as follows:

Year Ended		Amount
2018	$	15,900
2019		15,900
2020		15,900
Total future minimum lease payments	$	47,700

Note 8 - Long-Term Debt

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported as general long-term debt:

	Beginning Balance	Issued & Adjusted	Retired	Ending Balance
Compensated Absences Payable	$ 187,888	$ 24,243	$ 21,788	$ 190,343

	Amounts Due within One Year	Long-Term Portion	Ending Balance
Compensated Absences Payable	$ -	$ 190,343	$ 190,343

A. Compensated Absences Payable

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy and contractual obligations. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions. The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group. In the District-wide Statement of Net Assets, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year. The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Food Service Fund.

Note 9 - Retirement Plans

Description of the Plans

All required employees of the District are covered by either the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (the "Division"). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at http://www.state.nj.us/treasury/pensions/annrprts.shtml.

Note 9 - Retirement Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the District. However, the notes to the financial statements of the District must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the District. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

<u>Summary of Significant Accounting Policies</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. 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.

Note 9 - Retirement Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was $65,060,377 as measured on June 30, 2016 and $51,515,241 as measured on June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $4,888,382 and revenue of $4,888,382 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	06/30/16	06/30/15	06/30/14
Collective deferred outflows of resources	$ 17,414,701,002	$ 7,521,378,257	$ 2,306,623,861
Collective deferred inflows of resources	$ 134,532,594	$ 554,399,005	$ 1,763,205,593
Collective net pension liability (Nonemployer - State of NJ)	$ 78,666,367,052	$ 63,204,270,305	$ 53,446,745,367
State's portion of the net pension liability that was associated with the district	$ 65,060,377	$ 51,515,241	$ 43,943,129
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.0827041841%	0.0815059501%	0.0822185312%

Note 9 - Retirement Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%
Salary Increases	Varies based on experience
Investment Rate of Return	7.65%

Pre-retirement, post-retirement and disability mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953-2013.

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.

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

Note 9 - Retirement Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 - Multi Strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	100.00%	

Discount Rate - The discount rate used to measure the State's total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30,2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.22%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22%) or 1-percentage-point higher (4.22%) than the current rate:

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
District's proportionate share of the net	$ 77,696,599	$ 65,060,377	$ 54,741,801

Note 9 - Retirement Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml.

Note 9 - Retirement Plans (Continued)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Summary of Significant Accounting Policies

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

Note 9 - Retirement Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

At June 30, 2017, the District reported a liability of $6,415,859 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.02166%, which was a decrease of 0.00152% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $520,290. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 119,316	$ -
Changes of assumptions	1,329,023	-
Net difference between projected and actual earnings on pension plan investments	244,643	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	388,072
Total	$ 1,692,982	$ 388,072

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended 6/30:
2017	$ 293,735
2018	293,735
2019	340,321
2020	285,906
2021	91,213
Thereafter	-
	$ 1,304,910

Collective balances are as follows:

	06/30/16	06/30/15	0(14
Collective deferred outflows of resources	$ 8,685,338,380	$ 3,578,755,666	$ 952,194,675
Collective deferred inflows of resources	$ 870,133,595	$ 993,410,455	$ 1,479,224,662
Collective net pension liability (Non State - Local Group)	$ 29,617,131,759	$ 22,447,996,119	$ 18,722,735,003
District's Portion of net pension liability	$ 6,415,859	$ 5,202,980	$ 4,532,008
District's Proportion	0.0216626615%	0.0231779263%	0.0242059079%

Note 9 - Retirement Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

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. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	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 rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males & females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (setback 3 years for males and set forward 1 year for females).

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100.00%	

Note 9 - Retirement Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the district contributed 100% of its actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the net pension liability	$ 7,861,994	$ 6,415,859	$ 5,221,868

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml.

Note 9 - Retirement Plans (Continued)

Defined Contribution Retirement Plan (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Member contributions are matched by a 3% employer contribution. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Note 9 - Retirement Plans (Continued)

PERS and TPAF Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available between ages 60 and 65 depending on the members membership tier and are generally determined to be 1/55 or 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 or 30 years of service credit depending on the members membership tier or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Note 9 - Retirement Plans (Continued)

PERS and TPAF Vesting and Benefit Provisions (Continued)

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems. Chapter 78's provisions impacting employee pension and health benefits include:

1. New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.

2. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.

3. The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

4. 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 Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.06% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute $1,695,135 to the TPAF for postretirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $616,424 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

Note 9 - Retirement Plans (Continued)

Trend Information

Historical trend information showing the plan's progress in accumulating sufficient assets to pay benefits when due are presented in the State of New Jersey's PERS and TPAF financial reports. Those reports may be obtained by writing to the State of New Jersey, Department of Treasury Division of Pensions & Benefits P.O. Box 295, Trenton, New Jersey 08625-0295 or by calling (609) 292-7524.

Contributions required by the District were as follows:

Public Employees Retirement System:

Year	Annual Pension Cost	Chapter 108 P.L. 2003 Phase - In Credit	Chapter 19 P.L. 2009 Deferral	Non-Contributory Group Life Insurance & LTD	Net Pension Obligation
2017	$ 183,300	$ -	$ -	$ 10,074	$ 193,374
2016	189,141	-	-	10,127	199,268
2015	186,892	-	-	12,658	199,550
2014	180,240	-	-	3,065	183,305
2013	182,289	-	-	10,849	193,138
2012	193,740	-	-	12,344	206,084
2011	176,638	-	-	13,416	190,054
2010	120,818	-	-	16,755	137,573
2009	97,564	-	(48,782)	12,127	60,909
2008	101,993	(20,399)	-	-	81,594
2007	67,260	(26,904)	-	-	40,356
2006	56,139	(33,683)	-	-	22,456

Teachers' Pension and Annuity Fund:

Year	Annual Pension Cost	Percentage Contributed	Total Obligation	
2017	$ 1,695,135	100%	$ -	(On-Behalf)
2016	1,450,613	100%	-	(On-Behalf)
2015	1,140,186	100%	-	(On-Behalf)
2014	918,111	100%	-	(On-Behalf)
2013	1,124,450	100%	-	(On-Behalf)
2012	759,905	100%	-	(On-Behalf)
2011	563,661	100%	-	(On-Behalf)
2010	521,524	100%	-	(On-Behalf)
2009	471,411	100%	-	(On-Behalf)
2008	1,277,980	100%	-	(On-Behalf)
2007	1,204,110	100%	-	(On-Behalf)
2006	724,893	100%	-	(On-Behalf)

Note 10 - Post-Retirement 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.

Chapter 384 of P.L. 1987 and Chapter 6 of P.L. 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits throught the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed $1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State 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 (APB) 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 Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf.

Note 11 - Compensated Absences

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

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

In the district wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Food Service Fund.

Note 12 - Deferred Compensation

The Board offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 403(b). The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 13 - Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters.

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

New Jersey Unemployment Compensation Insurance - The 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 table is a summary of the district's contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's trust fund for the current and previous two years:

Fiscal Year	Contributions	Investment Earnings	Amount Reimbursed	Ending Balance
2016-2017	$ 19,823	$ 550	$ (10,003)	$ 124,444
2015-2016	29,255	393	(21,522)	114,074
2014-2015	117,666	325	(26,713)	105,948

Note 14 - Fund Balance Appropriated

General Fund -- The following is an analysis of the General Fund balance at June 30, 2017:

Reserve for Encumbrances	$	701,892
Emergency Reserve Account		101,411
Capital Reserve Account		2,262,424
Assigned to:		
Subsequent Years' Expenditures		100,000
Unreserved		676,026
	$	3,841,753

Fund balance categories (Restricted, Assigned & Unassigned/Unreserved) 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.

Note 15 - Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the Restricted Fund Balance for 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 restrict 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 years' budget. The excess fund balance at June 30, 2017 was $0.

Note 16 - Economic Dependency

The District is heavily reliant on federal and state sources to fund the District operations and debt service. Federal and state sources funded approximately 15% of the District's 2016-2017 governmental operations.

Note 17 - Contingent Liabilities

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgement of the District's management, the outcome of any legal proceedings will not have any adverse effect on the accompanying financial statements.

Note 18 - Subsequent Events

We have evaluated subsequent events through November 30, 2017, the date which the financial statements were available to be issued and no items were noted for disclosure or adjustment.

APPENDIX C

Proposed Form of Bond Counsel Opinion

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

December __, 2018

The Board of Education of the
Borough of Emerson, in the
County of Bergen, New Jersey

Dear Board Members:

We have acted as bond counsel in connection with the issuance of $13,368,000 aggregate principal amount of School Bonds (the "Bonds") by The Board of Education of the Borough of Emerson, in the County of Bergen, a school district of the State of New Jersey (the "Board" or "School District"). The Bonds are dated December 15, 2018 and comprise an issue of registered bonds. The Bonds bear interest from their date payable on each March 1 and September 1, commencing September 1, 2019 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on September 1 in each year, and bear interest at the rates per annum, as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2019	$473,000	%	2029	$665,000	%
2020	495,000		2030	690,000	
2021	510,000		2031	715,000	
2022	530,000		2032	735,000	
2023	545,000		2033	765,000	
2024	565,000		2034	790,000	
2025	585,000		2035	815,000	
2026	605,000		2036	845,000	
2027	625,000		2037	870,000	
2028	645,000		2038	900,000	

The Bonds maturing on or before September 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after September 1, 2027 are subject to redemption at the option of the Board prior to maturity, in whole on any date or in part on any Interest Payment Date on or after September 1, 2026, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Board determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Board, and within any maturity, by lot.

The Bonds are issued pursuant to Chapters 22 and 24 of Title 18A, Education, of the New Jersey Statutes, as amended, and pursuant to a resolution duly adopted by a majority of the legal voters of the School District voting thereon at a special school election held on October 2, 2018 (the "Election") and resolutions adopted by the Board of Education on November 12, 2018.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Board with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Board has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Board’s Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Board, in executing the Tax Certificate, will certify to the effect that the Board expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the resolutions referred to above, a true copy of proceedings taken for the Election and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Business Administrator/Board Secretary of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. 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 have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Board in connection with the issuance and sale of the Bonds, or (ii) other documents of the Board delivered to the purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Board enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Board has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Bonds and the interest thereon are payable from ad valorem taxes levied on all taxable real property in the School District, without limitation as to rate or amount. The payment of the principal of and interest on

the Bonds is also secured pursuant to the provisions of the New Jersey School Bond Reserve Act, P.L. 1980, c.72, as amended.

3. Assuming compliance by the Board with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC