

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 17, 2016**

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel to the Board (as defined herein), pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") interest on the Bonds (as defined herein) is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. It is also the opinion of Bond Counsel that interest on the Bonds held by corporate taxpayers is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. In addition, in the opinion of Bond Counsel, interest on and any gain from the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. Bond Counsel's opinions described herein are given in reliance on representations, certifications of fact, and statements of reasonable expectation made by the Board in its Tax Certificate (as defined herein), assuming continuing compliance by the Board with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions. See "TAX MATTERS" herein.

**THE BOARD OF EDUCATION OF THE  
 TOWNSHIP OF LITTLE FALLS  
 IN THE COUNTY OF PASSAIC, NEW JERSEY  
 \$3,067,000 SCHOOL BONDS  
 (Bank Qualified) (Book-Entry-Only) (Callable)**

Dated: Date of Delivery

Due: August 1, as shown below

The \$3,067,000 School Bonds (the "Bonds") of The Board of Education of the Township of Little Falls in the County of Passaic, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, or earlier redemption, commencing on August 1, 2016. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS- Redemption" herein.

The Bonds are valid and legally binding obligations of the Board and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIPS</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIPS</u>
2017	\$120,000				2025	\$240,000			
2018	130,000				2026	240,000			
2019	140,000				2027	240,000			
2020	155,000				2028	240,000			
2021	170,000				2029	240,000			
2022	195,000				2030	240,000			
2023	240,000				2031	237,000			
2024	240,000								

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about March 15, 2016.

**ELECTRONIC SUBMISSIONS FOR THE SCHOOL BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON FEBRUARY 24, 2016. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW. PROSPECTUSHUB.COM**

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

**THE BOARD OF EDUCATION OF  
TOWNSHIP OF LITTLE FALLS  
IN THE COUNTY OF PASSAIC, NEW JERSEY**

**MEMBERS OF THE BOARD**

Lauren Verdi, President  
Michael Russo, Vice President  
Janine Veteri Barone  
Joseph Benvenuti  
Thomas Breitwieser  
Rachel R. Capizzi  
Diana Kribs  
Michael O'Neil  
Mark Simolaris

**SUPERINTENDENT**

Tracy Marinelli

**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Carol Delsandro

**BOARD AUDITOR**

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

**SOLICITOR**

Fogarty & Hara  
Fair Lawn, New Jersey

**FINANCIAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board 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 Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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 made 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. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriter.

## TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION .....	1
DESCRIPTION OF THE BONDS .....	1
Terms and Interest Payment Dates .....	1
Redemption .....	2
Security for the Bonds.....	2
New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 <u>et seq.</u> ) .....	2
AUTHORIZATION AND PURPOSE.....	3
BOOK-ENTRY-ONLY SYSTEM .....	4
Discontinuance of Book-Entry-Only System .....	5
THE SCHOOL DISTRICT AND THE BOARD.....	6
THE STATE’S ROLE IN PUBLIC EDUCATION.....	6
STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY .....	7
Categories of School Districts.....	7
School Budgetary Process (N.J.S.A. 18A:22-1 <u>et seq.</u> ).....	8
Spending Growth Limitation.....	8
SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT .....	8
Levy and Collection of Taxes.....	8
Budgets and Appropriations.....	8
Tax and Spending Limitations.....	9
Issuance of Debt.....	10
Annual Audit (N.J.S.A. 18A:23-1 <u>et seq.</u> ).....	10
Temporary Financing (N.J.S.A. 18A:24-3).....	10
Debt Limitation (N.J.S.A. 18A:24-19).....	11
Exceptions to Debt Limitation.....	11
Capital Lease Financing .....	11
Energy Saving Obligations.....	11
Promissory Notes for Cash Flow Purposes .....	11
SUMMARY OF STATE AID TO SCHOOL DISTRICTS .....	12
SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS.....	13
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES .....	13
Local Bond Law (N. J. S. A. 40A:2-1 <u>et seq.</u> ).....	13
Local Budget Law (N. J. S. A. 40A:4-1 <u>et seq.</u> ).....	14
Tax Assessment and Collection Procedure.....	15
Tax Appeals .....	16
Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 <u>et seq.</u> ).....	16
FINANCIAL STATEMENTS .....	16
LITIGATION .....	17
TAX MATTERS .....	17
Certain Federal Tax Consequences Relating to the Bonds.....	17
Bank Qualification .....	17
New Jersey Gross Income Tax.....	18
Future Events .....	18
MUNICIPAL BANKRUPTCY .....	18
APPROVAL OF LEGAL PROCEEDINGS .....	19
PREPARATION OF OFFICIAL STATEMENT.....	19
RATINGS.....	19
FINANCIAL ADVISOR .....	19
SECONDARY MARKET DISCLOSURE.....	20
ADDITIONAL INFORMATION.....	21
CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT .....	21
MISCELLANEOUS .....	22
Certain Economic and Demographic Information about the School District and the Township of Little Falls.....	Appendix A
Little Falls Board of Education Financial Statements.....	Appendix B
Form of Approving Legal Opinion.....	AppendixC

**OFFICIAL STATEMENT  
OF  
THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF LITTLE FALLS  
IN THE COUNTY OF PASSAIC, NEW JERSEY**

**\$3,067,000  
SCHOOL BONDS  
(BOOK-ENTRY-ONLY ISSUE)  
(CALLABLE) (BANK QUALIFIED)**

**INTRODUCTION**

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of Township of Little Falls in the County of Passaic, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$3,067,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

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

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

**DESCRIPTION OF THE BONDS**

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

**Terms and Interest Payment Dates**

The Bonds shall be dated the date of delivery and shall mature on August 1 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the first day of February and August, commencing on August 1, 2016 (each an "Interest Payment Date"), at the interest rates set forth on the front cover page hereof in each year until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Dates (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 principal amount of \$1,000 integrals, with a minimum purchase 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.

## **Redemption**

The Bonds maturing prior to August 1, 2027 are not subject to optional redemption. The Bonds maturing on or after August 1, 2027 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after August 1, 2026 at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

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

## **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.

## **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 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 school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act. On September 11, 2014 Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, downgraded the School Bond Reserve rating from "A+" to "A". Moody's Investors Service, Inc. has maintained the rating of "Aa3" in connection with the School Bond Reserve.

### **AUTHORIZATION AND PURPOSE**

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on August 18, 2015 and approved by a majority of the legal voters present and voting at the school district election held on September 29, 2015 and a resolution duly adopted by the Board on January 26, 2016 (the "Resolution").

The purpose of the Bonds is to provide funds (a) to undertake various improvements and renovations to School No.1, School No. 2. and School No. 3; and (b) to acquire the necessary equipment as well as undertake any associated site work. The total cost of the project is \$4,289,691. The Board will fund the project in part with a \$1,221,926 grant from the State of New Jersey. \$3,067,000 will be funded through the issuance of the Bonds. The balance of \$765 will be funded through other available funds of the Board. The Board also expects to receive 40% debt service aid on a portion of the Bonds.

## **BOOK-ENTRY-ONLY SYSTEM<sup>1</sup>**

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 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

---

<sup>1</sup> Source: The Depository Trust Company

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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and 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, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct 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. 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.

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.

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

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

agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day, next preceding an Interest Payment Date.

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

The School District is a Type II school district without a board of school estimate coterminous with the boundaries of the Township of Little Falls (the "Township") located in the County of Passaic, New Jersey (the "State"). The School District serves students attending Pre-kindergarten through 8<sup>th</sup> grade. Students in grades 9-12 attend Passaic Valley Regional High School.

The Board consists of nine (9) elected members. Pursuant to State statute, the Board appoints a Superintendent and an Assistant Superintendent for Business/Board Secretary. *See* "APPENDIX A – Certain Economic and Demographic Information About the School District and the Township of Little Falls."

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

The Constitution of the State of New Jersey 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 all 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 also vote upon all 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 all 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 vote upon all 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 all fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school 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.

## **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. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing bodies of the Township must develop the school budget by May 19 of each year. Should the governing bodies be unable to do so, the Commissioner establishes the local school budget.

The New Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) establishes procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 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 would no longer be 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 by current 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.

## **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 has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment. The new 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 process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations has been eliminated under Chapter 44.

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.

### **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.

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

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. 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 anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations. School districts may not capitalize interest on temporary notes, but must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a kindergarten (K) through grade twelve (12) school district, the 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.

## SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State of New Jersey (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 was simply determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current 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 current plan for school aid is a "constitutionally adequate scheme".

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 Education Facilities Construction and Financing Act of 2001. 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 2015 and has proposed the same reduction for 2016. 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 year 2011, 2012, 2013, 2014 and 2015 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 Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. § 6301 et seq., 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 Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township 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. With Local Finance Board approval, the Township has exceeded its statutory debt limit for the year ended December 31, 2013.

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 Township 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 Township 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 Township or substantially reduce the ability of the Township 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 Township 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 Township 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 Township, which operate 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 (the "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 an 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 local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by 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 year's 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 "CAP" 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". 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 year's 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 Township to levy *ad valorem* taxes upon all taxable real property within the Township 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 local unit, the local school district and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the 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 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.

### **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 Constituent Municipality 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 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.

### **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's 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 fiscal year ended June 30, 2015 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, an independent auditor, as stated in the report appearing in Appendix B to this Official Statement. See "APPENDIX B –Little Falls Board of Education Financial Statements".

## LITIGATION

To the knowledge of the Board Attorney, Fogarty & Hara, Fair Lawn, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, 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 Underwriter of the Bonds at the closing.

## TAX MATTERS

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provides that interest on the Bonds is not included in gross income for federal income tax purposes if various requirements set forth in the Code are met. The Board has covenanted in its Arbitrate and Tax Certificate (the "Tax Certificate"), delivered in connection with the issuance of the Bonds, to comply with these continuing requirements and has made certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds to assure this exclusion. Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the opinion of McManimon, Scotland & Baumann, LLC ("Bond Counsel"), pursuant to Section 103(a) of Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Bonds held by corporate taxpayers is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel's opinions described herein are given in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Board in its Tax Certificate, assume continuing compliance by the Board with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

### **Certain Federal Tax Consequences Relating to the Bonds**

Although, pursuant to Section 103(a) of the Code, interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

### **Bank Qualification**

The Bonds will be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

### **New Jersey Gross Income Tax**

In the opinion of Bond Counsel, the interest on the Bonds and any gain realized on the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act.

### **Future Events**

Tax legislation, administrative action taken by tax authorities and court decisions, whether at the federal or State level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions and even proposals for change could adversely affect the market price or marketability of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY CHANGES IN THE STATUTES, PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR PROPOSALS FOR CHANGE ON THE TAX AND MARKET IMPLICATIONS OF OWNERSHIP OF THE BONDS.

### **MUNICIPAL BANKRUPTCY**

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 *et seq.*, as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

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

**Reference to the Bankruptcy Code or the State statute should not create any implication that the Board expects to utilize the benefits of their provisions.**

### **APPROVAL OF LEGAL PROCEEDINGS**

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

### **PREPARATION OF OFFICIAL STATEMENT**

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter by a certificate signed by the Board President and the 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 the completeness of such information.

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**

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency"), has assigned a rating on the Bonds of "AA" due to the creditworthiness of the School District. In addition, the Rating Agency has assigned a rating on the Bonds of "A" based upon the additional security for the Bonds provided by the New Jersey School Bond Reserve Act.

The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of, such ratings, may have an adverse effect on the marketability or market price of the Bonds.

### **FINANCIAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as financial advisor to the Board with respect to the issuance of the Bonds (the "Financial Advisor"). The Financial 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 Financial 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

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Board shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to February 1 of each year, beginning February 1, 2017, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board of Education consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board of Education and certain financial information and operating data consisting of (1) Board of Education and overlapping indebtedness including a schedule of outstanding debt issued by the Board of Education; (2) property valuation information; (3) property valuation information; and (4) 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;

(b) if any of the following material events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:

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

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(c) Notice of failure of the Board to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

(d) If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

(e) The Business Administrator/Board Secretary shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Board prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

(f) In the event that the Board fails to comply with the Rule requirements or the written contracts or undertakings specified in the Resolution, the Board shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

The Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements material event notices in connection certain rating changes. Such notices of material events and late filings have been filed with EMMA as of the date of this Official Statement. The Board has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Carol Delsandro, Business Administrator/Board Secretary, at 560 Main Street, School #3, Little Falls, NJ 07424, (973) 256-7371, or to the Financial Advisor, Phoenix Advisors, LLC, at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

### **CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT**

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

**MISCELLANEOUS**

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

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF LITTLE  
FALLS IN THE COUNTY OF PASSAIC, NEW JERSEY**

By: \_\_\_\_\_  
**Carol Delsandro, Business Administrator/Board Secretary**

Date: February \_\_, 2016

**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL  
DISTRICT AND THE TOWNSHIP OF LITTLE FALLS**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING  
TO THE SCHOOL DISTRICT AND THE TOWNSHIP OF LITTLE FALLS,  
IN THE COUNTY OF PASSAIC, STATE OF NEW JERSEY**

**Summary**

The public school system in the Township of Little Falls, in the County of Passaic, State of New Jersey (the “Township”) is operated by The Board of Education of the Township of Little Falls in the County of Passaic, New Jersey (the “Board” when referring to the governing body and the “District” when referring to territorial boundaries governed thereby) as a Type II School District. It functions independently through a nine (9) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning, and operational functions of the School District. The school district has three (3) schools for students in pre-Kindergarten through eighth grades and provides a full range of educational services. These schools include classrooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, a cafeteria and agymnasium.

**SCHOOL DISTRICT ENROLLMENT**

<b><u>Fiscal Year</u></b>	<b><u>Total School District Enrollment</u></b> <sup>1</sup>
2015-2016	898
2014-2015	920
2013-2014	907
2012-2013	925
2011-2012	942
2010-2011	931
2009-2010	931
2008-2009	921
2007-2008	887

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

The Superintendent is the chief administrative officer of the School District. The School Business Administrator/Board Secretary oversees the business functions of the Board and reports through the Superintendent to the Board. As of June 30, 2015, the School District employed the following staff (not including part-time employees):

**Description**

Instruction/Teaching Staff.....	127
Student and Instructional Related Services.....	9
Administrators/Professionals/Office Staff .....	9
Custodial/Maintenance.....	8
Other.....	8
Total .....	161

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

The Board’s contract with the Little Falls Education Association expires June 30, 2016.

---

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

**Comparison of General Fund Revenues and Appropriations**

	<b>(Budget)</b> <b>Fiscal Year</b> <b><u>2015-2016</u></b>	<b>(Actual)</b> <b>Fiscal Year</b> <b><u>2014-2015</u></b>	<b>(Actual)</b> <b>Fiscal Year</b> <b><u>2013-2014</u></b>	<b>(Actual)</b> <b>Fiscal Year</b> <b><u>2012-2013</u></b>
<b>GENERAL FUND</b>				
<b>REVENUES</b>				
Budgeting Fund Balance	\$ 504,785			
Withdrawal from Capital Reserve - Local Share	542,502			
Local Sources:				
Local Tax Levy	13,671,988	\$ 13,403,910	\$ 12,806,443	\$ 12,355,802
Tuition	27,000	84,299	92,292	109,101
Interest	500	7,006	6,889	5,544
Miscellaneous	3,440	48,844	19,738	35,046
Federal Sources	12,077	47,178	25,190	30,605
State Sources	<u>529,221</u>	<u>635,862</u>	<u>735,155</u>	<u>702,878</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 15,291,513</u></b>	<b><u>\$ 14,227,099</u></b>	<b><u>\$ 13,685,707</u></b>	<b><u>\$ 13,238,976</u></b>
<b>APPROPRIATIONS</b>				
Instruction:				
Regular Programs	4,522,378	\$ 4,332,517	\$ 4,293,395	\$ 4,252,028
Special Education	2,395,554	2,189,024	2,048,530	1,485,717
Basic Skills/Remedial	222,574	86,923	83,242	36,465
Bilingual Education	53,875	18,412	87,594	86,341
School-Sponsored Co-curricular Activities	47,116	35,131	47,545	41,307
Undistributed Expenditures:				
Instruction	257,018	160,444	285,287	172,489
Health	236,192	240,666	254,132	251,431
Speech, OT, PT, Related & Extraordinary Svcs.	544,600	530,864	508,614	987,681
Guidance	56,175	57,377	55,662	56,222
Child Study Team	534,766	513,792	524,682	580,480
Improvement of Instructional Services	27,300	10,219	17,895	30,661
Media/Library	118,190	113,707	118,285	165,184
Instructional Staff Training	15,500	9,024	13,537	5,183
General Administration	419,784	371,198	413,637	311,734
School Administration	426,986	471,136	483,875	452,922
Central Services and Admin. Info. Technology	291,250	293,227	286,698	249,291
Operations and Maintenance	1,027,368	969,833	937,912	867,240
Transportation	492,737	426,117	447,656	443,704
Personnel Services - Employee Benefits	<u>2,836,946</u>	<u>2,548,316</u>	<u>2,435,594</u>	<u>2,380,142</u>
Subtotal	14,526,309	13,377,927	13,343,772	12,856,222
Transfer to Charter Schools	10,993	10,648	10,368	-
Capital Outlay	<u>754,211</u>	<u>20,146</u>	<u>138,985</u>	<u>185,382</u>
<b>TOTAL APPROPRIATIONS/EXPENDITURES</b>	<b><u>\$ 15,291,513</u></b>	<b>13,408,721</b>	<b>13,493,125</b>	<b>13,041,604</b>
Other Financing Sources/Uses		<u>(714,000)</u>	<u>(95,247)</u>	<u>53,015</u>
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures and Other Financing Sources/(Uses)		104,378	97,335	250,387
Fund Balance, Beginning of Year		<u>2,595,655</u>	<u>2,498,320</u>	<u>2,247,933</u>
Fund Balance, End of Year		<u><u>2,700,033</u></u>	<u><u>\$ 2,595,655</u></u>	<u><u>\$ 2,498,320</u></u>

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

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

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to three percent (3.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Township and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Township for the last three (3) years and the School District's available borrowing margin as of December 31, 2015 (unaudited) are summarized below:

<u>Year</u>	<u>Amount</u>
2013	1,672,460,766
2014	1,641,115,342
2015	<u>1,628,289,317</u>
Average for the Three (3) Year Period	\$ 1,647,288,475
School District Borrowing Margin (3.0% of \$1,647,288,475)	49,418,654
Net School Debt as of December 31, 2015 (Unaudited)	<u>4,187,765</u>
Available School District Borrowing Margin	<u><u>\$ 45,230,889</u></u>

### COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT AS OF DECEMBER 31, 2015 (UNAUDITED)

Net Direct Debt of School District as of December 30, 2015 (Unaudited)	\$ 4,187,765
Overlapping Debt of School District (December 31, 2014)	
Little Falls Township	29,620,736
County of Passaic's Share	13,659,932
Passaic County Utilities Authority	2,037,511
Passaic Valley Regional High School	1,790,698
Passaic County Sewage Commission	<u>1,876,715</u>
Total Direct and Overlapping Bonded Debt	<u><u>\$ 53,173,357</u></u>

<sup>3</sup> Source: Township of Little Falls 2015 Annual Debt Statement.

## **GENERAL INFORMATION**

### **Size and Geographical Location**

The Township is located in Passaic County and adjoins a portion of Essex County. The Township is bordered by the City of Clifton, the Borough of Woodland Park, the Borough of Totowa, the Township of Wayne, the Borough of North Caldwell, the Township of Cedar Grove and the Township of Montclair.

The land area of the Township is 2.8 square miles. The estimated density of population per square mile is 4,033. The community consists mainly of one and two family residential homes with a minimal amount of industrial and commercial development.

### **Form of Government**

The Township was incorporated by Chapter 34 of the Laws of 1868. It is governed by a Township Council consisting of five council persons, each of whom is elected by the voters for a term of four years. The Mayor is elected by the voters for a term of four years.

### **Transportation**

The Township is located approximately 18 miles from New York City. New Jersey Transit provides bus service to New York City, the City of Newark and the City of Paterson. Rail services are provided on the Boonton Line which connects to New York City via the PATH Line. State Highways Route 23 and Route 46 pass through the Township.

### **Public Safety**

The Township is served by a volunteer fire department with approximately 100 members. The department is equipped with modern fire apparatus which is purchased and owned by the Township. There are 10 pieces of equipment including 6 pumpers, a ladder truck, a rescue truck, the Chief's vehicle and a fire prevention vehicle. The Township makes an annual appropriation in its budget for the operating expenses of the fire department.

The police department is a full-time police department consisting of 19 police officers and one detective. Police headquarters is located in the municipal building and the police department is furnished with modern police equipment. The vehicle fleet is comprised of marked and unmarked automobiles and the Police Chief's vehicle.

### **Health and Sanitation**

All matters concerning health are within the jurisdiction of the Board of Health, the members of which are the members of the Township Council, a local physician and the Township Clerk. The Board operates as an independent body with legislative powers in local public health matters and is served by an appointed health officer and nurse.

Garbage is collected twice weekly by the municipality.

### **Utilities**

Gas and electric are supplied by the Public Service Electric and Gas Company. The Township utilizes the facilities of the Passaic Valley Sewerage Commission for the treatment of sewage. The water supply

system is operated by the New Jersey American Water Company.

**Recreation**

The recreation commission operates a full recreation program for all age groups, offering adult and youth sports, year round trips, summer day camps and tennis at the Community Center.

**Education**

The local K-8 school district is an independent school district and is governed by the New Jersey statutes relating to Type II school districts. It is governed by an elected seven-member Board of Education, the members of which serve for three-year terms. In addition, the Township is a member of the Passaic County Regional High School District No. 1, which consists of the Township of Little Falls, the Borough of Woodland Park and the Borough of Totowa. The school facilities for the Regional High School are located in the Township.

**ECONOMIC AND DEMOGRAPHIC INFORMATION**

The following material presents certain economic and demographic information of the Township of Little Falls.

**Population Trends**

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2014</u>
Township of Little Falls	11,496	11,294	10,855	14,432	14,516
County of Passaic	447,585	453,060	489,049	501,226	508,856
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,938,175

Source: US Census

**Money Income as of 2014<sup>4</sup>**

	<b>Median Household Income</b>	<b>Median Family Income</b>	<b>Per Capita Income</b>
Township of Little Falls	\$ 75,923	\$ 89,835	\$ 35,630
County of Passaic	59,513	69,341	27,795
State of New Jersey	72,062	87,999	36,359

<sup>4</sup> Source: U.S. Census Bureau, 2010-2014 American Community Survey

## Employment and Unemployment Comparisons

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<u>Township of Little Falls</u>				
2014	7,736	7,281	455	5.9%
2013	7,631	6,951	680	8.9%
2012	6,624	5,938	686	10.4%
2011	6,629	5,932	697	10.5%
2010	6,591	5,886	705	10.7%
<u>County of Passaic</u>				
2014	248,437	228,264	20,173	8.1%
2013	241,354	217,363	23,991	9.9%
2012	246,789	218,970	27,819	11.3%
2011	246,012	218,724	27,288	11.1%
2010	243,037	215,693	27,344	11.3%
<u>State of New Jersey</u>				
2014	4,518,700	4,218,400	300,300	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%

Source: Bureau of Labor Statistics

**Statement of Indebtedness  
As of December 31, 2015**

**GENERAL PURPOSES**

Bonds Issued and Outstanding	\$ 17,743,000	
Notes	6,980,000	
Bonds and Notes Authorized But Not Issued	4,897,736	
		\$ 29,620,736

**REGIONAL SCHOOL**

Bonds Issued and Outstanding	1,790,698	
Bonds and Notes Authorized But Not Issued	-	
		1,790,698

**LOCAL SCHOOL**

Bonds Issued and Outstanding	1,120,000	
Bonds and Notes Authorized But Not Issued	3,067,765	
		4,187,765

TOTAL GROSS DEBT 35,599,199

**STATUTORY DEDUCTIONS**

Regional School	1,790,698	
Local School	4,187,765	
Municipal	209,350	
		6,187,813

TOTAL NET DEBT \$ 29,411,386

**OVERLAPPING DEBT**

Little Falls Township	29,620,736	
County of Passaic	13,659,932	
Passaic County Utilities Authority	2,037,511	
Passaic Valley Regional High School	1,790,698	
Passaic Valley Sewage Commission	1,876,715	
		\$ 48,985,592

**GROSS DEBT**

Per Capita (2014 Census - 14,516)		\$ 2,452
Percent of Net Valuation Taxable (2015 - \$1,482,747,500)		2.40%
Percent of Estimated True Value of Real Property (2015 - \$1,648,964,705)		2.16%

**NET MUNICIPAL DEBT**

Per Capita (2014 Census - 14,516)		\$ 2,026
Percent of Net Valuation Taxable (2015 - \$1,482,747,500)		1.98%
Percent of Estimated True Value of Real Property (2015 - \$1,648,964,705)		1.78%

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

Per Capita (2014 Census - 14,516)		\$ 5,827
Percent of Net Valuation Taxable (2015 - \$1,482,747,500)		5.70%
Percent of Estimated True Value of Real Property (2015 - \$1,648,964,705)		5.13%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2015 Passaic County Abstract of Ratables published by the Passaic County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

## Ten Largest Taxpayers

The ten largest taxpayers in the Township and their 2015 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Inwood Owners Inc	68,500,000
Theta Holding Co	50,055,000
Park Falls Association	13,285,000
PAR 3 LLC	12,432,200
Great Notch Village	10,027,700
Saturn Realty	9,656,300
Sisco	8,965,100
Andrew Realty	8,500,000
Hilltop Manor Associates LLC	7,000,000
Brownstone Inc	6,898,000
Total	<u>195,319,300</u>

Source: Municipal Tax Assessor

## Comparisons of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2015 (Unaudited)	\$ 45,626,951	\$ 44,918,428	98.44%
2014	44,546,802	43,925,371	98.60%
2013	42,887,838	42,143,342	98.26%
2012	43,384,823	42,374,186	97.67%
2011	41,042,069	40,357,924	98.33%

Source: Municipal Audits and 2015 Annual Financial Statement

## Delinquent Taxes and Tax Title Lien

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2015 (Unaudited)	\$ 89,335	\$ 687,744	\$ 777,079	1.70%
2014	66,164	545,187	611,351	1.37%
2013	72,967	307,846	380,813	0.89%
2012	40,035	506,355	546,390	1.26%
2011	39,974	537,747	577,721	1.41%

Source: Municipal Audits and 2015 Annual Financial Statement

**Net Assessed Valuations and Annual Tax Rates**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Regional School</u>	<u>Local School</u>	<u>County</u>
2015	\$ 3.076	0.817	0.488	0.922	0.849
2014	2.994	0.801	0.520	0.897	0.776
2013 (1)	2.845	0.774	0.505	0.851	0.716
2012	2.302	0.610	0.385	0.667	0.640
2011	2.140	0.580	0.337	0.653	0.570

(1)The Township underwent a revaluation of real property which became effective in 2013.

Source: Municipal Audits

**Real Property Classification**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
2015	\$ 28,120,300	\$1,049,623,100	\$ 231,829,600	\$ 115,646,700	\$ 53,267,000	1,478,486,700
2014	27,412,500	1,051,978,100	232,899,200	116,124,200	54,169,600	1,482,583,600
2013 (1)	26,783,060	1,066,372,000	246,005,100	108,646,700	54,397,400	1,502,204,260
2012	36,882,200	1,376,430,700	283,233,000	117,147,600	65,340,500	1,879,034,000
2011	37,838,400	1,376,785,400	303,200,600	120,741,600	64,602,700	1,903,168,700

(1)The Township underwent a revaluation of real property which became effective in 2013.

Source: Township Tax Assessor

**Ratio of Assessed Valuation to True Value**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2015	\$ 1,478,486,700	\$ 4,260,800	\$ 1,482,747,500	90.34%	1,648,964,705
2014	1,482,583,600	4,169,300	1,486,752,900	89.82%	1,663,010,478
2013 (1)	1,502,204,260	5,200,700	1,507,404,960	93.36%	1,623,729,535
2012	1,879,034,000	6,627,100	1,885,661,100	100.15%	1,892,934,504
2011	1,903,168,700	6,429,200	1,909,597,900	100.96%	1,902,086,209

(1)The Township underwent a revaluation of real property which became effective in 2013

Source: Abstract of Ratables, County Board of Taxation

**APPENDIX B**

**LITTLE FALLS BOARD OF EDUCATION FINANCIAL STATEMENTS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA

GARY J. VINCI, CPA, RMA, PSA

GARY W. HIGGINS, CPA, RMA, PSA

JEFFREY C. BLISS, CPA, RMA, PSA

PAUL J. LERCH, CPA, RMA, PSA

DONNA L. JAPHET, CPA, PSA

JULIUS B. CONSONI, CPA, PSA

ANDREW PARENTE, CPA, RMA, PSA

---

ELIZABETH A. SHICK, CPA, RMA, PSA

ROBERT W. HAAG, CPA, PSA

DEBORAH K. LERCH, CPA, PSA

RALPH M. PICONE, CPA, RMA, PSA

DEBRA GOLLE, CPA

CINDY JANACEK, CPA, RMA

MARK SACO, CPA

SHERYL M. NICOLosi, CPA

KATHY WANG, CPA

## **INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Trustees  
Little Falls Board of Education  
Little Falls, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Little Falls Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Little Falls Board of Education as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### ***Adoption of New Accounting Pronouncement***

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, the Little Falls Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2015 on our consideration of the Little Falls Board of Education'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 Little Falls Board of Education's internal control over financial reporting and compliance.

By/s/

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

Fair Lawn, New Jersey  
January 13, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

This discussion and analysis of the Little Falls School District's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2015. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for the 2014/15 school year are as follows:

- District-wide - Overall revenues were \$18,061,315. General revenues accounted for \$13,697,156 or 76 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,364,159 or 24 percent of total revenues.
- District-wide - The School District had \$17,070,630 in expenses; only \$4,364,159 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$13,697,156 were adequate to provide for these programs.
- Fund Financial Statements - As of the close of the current fiscal year, the Little Falls Board of Education's governmental funds reported combined ending fund balances of \$3,318,663, an increase of \$857,692 in comparison with the prior year.
- Fund Financial Statements - At the end of June 30, 2015, unassigned fund balance for the General Fund was \$240,142, an increase of \$10,632 from the previous year.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the district-wide financial statements, fund financial statements and notes to the basic financial statements.

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

Figure A-1 summarizes the major features of the Little Falls Board of Education's financial statements, including the portion of the Little Falls Board of Education's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management’s Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**Figure A-1** Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance and food service	Activities the district operates similar to private businesses
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 Revenues, Expenses, and Changes in Fund Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred Inflows/outflows of resources and liability information	All assets deferred outflows of resources and deferred inflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and deferred inflows of resources and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets deferred inflows/outflows of resource and liabilities both financial and capital, and 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.

**District-wide Statements**

**District-wide.** The *District-wide financial statements* are designed to provide readers with a broad overview of the Little Falls Board of Education’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Little Falls Board of Education’s assets, deferred outflows/inflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, when assessing 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 the school buildings and other facilities.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

**District-wide Statements (Continued)**

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

- *Governmental activities*- Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and administration services. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of the District's Food Service Fund.

**Fund Financial Statements**

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

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The District has three kinds of funds:

**Governmental Funds.** The District's basic services are included in the governmental funds, which generally focus on near-term inflows and outflows of spendable resources and the balances of spendable resources at year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide a reconciliation at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund, Special Revenue Fund and Debt Service Fund.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**Fund Financial Statements (Continued)**

Proprietary Funds. The District maintains one type of Proprietary Fund, Enterprise Funds, which is used to report the activity of the Food Service Fund. Proprietary Funds provide the same type of information as the district-wide financial statements and is presented as business-type activities in the district-wide financial statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government, such as the Payroll Agency Fund, Unemployment Trust Fund and the Student Activity Funds. Fiduciary Funds are *not* reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

**DISTRICT-WIDE FINANCIAL ANALYSIS OF THE LITTLE FALLS BOARD OF EDUCATION AS A WHOLE**

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1 provides a summary of the school district's net position at June 30, 2015 and 2014.

**Net position.** The District's combined net position were \$1,619,026 on June 30, 2015 and \$628,341 on June 30, 2014. (See Table A-1).

By far the largest portion of the District's net position (66 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide regular and special education, transportation, maintenance and administration services. 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.

The majority of the restricted portion of net position represents the capital reserve which is reserved for capital expenditures.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**Table A-1  
Statement of Net Position  
As of June 30, 2015 and 2014**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u> (Restated)	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u> (Restated)
Current and Other Assets	\$ 3,917,048	\$ 3,013,935	\$ 1,506	\$ 39,098	\$ 3,918,554	\$ 3,053,033
Capital Assets - Restated	<u>4,120,152</u>	<u>4,284,191</u>	<u>-</u>	<u>-</u>	<u>4,120,152</u>	<u>4,284,191</u>
<b>Total Assets</b>	<u>8,037,200</u>	<u>7,298,126</u>	<u>1,506</u>	<u>39,098</u>	<u>8,038,706</u>	<u>7,337,224</u>
Deferred Amounts on Refunding on Debt	12,903	17,183			12,903	17,183
Deferred Amounts on Pension Liability	<u>115,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,225</u>	<u>-</u>
<b>Total Deferred Outflow of Resources</b>	<u>128,128</u>	<u>17,183</u>	<u>-</u>	<u>-</u>	<u>128,128</u>	<u>17,183</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>8,165,328</u>	<u>7,315,309</u>	<u>1,506</u>	<u>39,098</u>	<u>8,166,834</u>	<u>7,354,407</u>
Long-Term Liabilities	5,328,155	6,118,944			5,328,155	6,118,944
Other Liabilities	<u>616,710</u>	<u>573,021</u>	<u>154</u>	<u>34,101</u>	<u>616,864</u>	<u>607,122</u>
<b>Total Liabilities</b>	<u>5,944,865</u>	<u>6,691,965</u>	<u>154</u>	<u>34,101</u>	<u>5,945,019</u>	<u>6,726,066</u>
Deferred Amounts on Pension Liability	<u>602,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,789</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>602,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,789</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>6,547,654</u>	<u>6,691,965</u>	<u>154</u>	<u>34,101</u>	<u>6,547,808</u>	<u>6,726,066</u>
Net Position:						
Net Investment in						
Capital Assets	2,782,904	2,761,687			2,782,904	2,761,687
Restricted	1,932,914	1,117,003			1,932,914	1,117,003
Unrestricted	<u>(3,098,144)</u>	<u>(3,255,346)</u>	<u>1,352</u>	<u>4,997</u>	<u>(3,096,792)</u>	<u>(3,250,349)</u>
<b>Total Net Position</b>	<u>\$ 1,617,674</u>	<u>\$ 623,344</u>	<u>\$ 1,352</u>	<u>\$ 4,997</u>	<u>\$ 1,619,026</u>	<u>\$ 628,341</u>

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**Governmental activities.** Governmental activities increased the District's net position by \$994,330. Key elements of this increase are as follows:

**Table A-2  
Changes in Net Position  
For the Fiscal Years Ended June 30, 2015 and 2014**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 84,299	\$ 92,292	\$ 117,186	\$ 127,277	\$ 201,485	\$ 219,569
Operating Grants and Contributions	4,015,044	2,219,819	118,281	110,386	4,133,325	2,330,205
Capital Grants and Contributions	29,349				29,349	
General Revenues						
Property Taxes	13,624,970	13,027,099			13,624,970	13,027,099
Other	<u>72,184</u>	<u>26,627</u>	<u>2</u>	<u>2</u>	<u>72,186</u>	<u>26,629</u>
<b>Total Revenues</b>	<u>17,825,846</u>	<u>15,365,837</u>	<u>235,469</u>	<u>237,665</u>	<u>18,061,315</u>	<u>15,603,502</u>
<b>Expenses</b>						
Instruction						
Regular	7,280,993	6,124,204			7,280,993	6,124,204
Special Education	3,824,169	3,342,399			3,824,169	3,342,399
Other Instruction	251,226	323,518			251,226	323,518
School Sponsored Activities and Ath.	47,942	63,845			47,942	63,845
Support Services						
Student and Instruction Related Serv.	2,187,789	2,002,335			2,187,789	2,002,335
School Administrative Services	743,079	754,923			743,079	754,923
General Administrative Services	468,797	515,227			468,797	515,227
Plant Operations and Maintenance	1,158,476	1,127,070			1,158,476	1,127,070
Pupil Transportation	446,749	467,648			446,749	467,648
Central Services	364,088	388,214			364,088	388,214
Food Services			252,114	253,234	252,114	253,234
Interest on Long-Term Debt	<u>45,208</u>	<u>48,314</u>	<u>-</u>	<u>-</u>	<u>45,208</u>	<u>48,314</u>
<b>Total Expenses</b>	<u>16,818,516</u>	<u>15,157,697</u>	<u>252,114</u>	<u>253,234</u>	<u>17,070,630</u>	<u>15,410,931</u>
Increase/(Decrease) in Net Position Before Transfers	1,007,330	208,140	(16,645)	(15,569)	990,685	192,571
Transfers	<u>(13,000)</u>	<u>(14,000)</u>	<u>13,000</u>	<u>14,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	994,330	194,140	(3,645)	(1,569)	990,685	192,571
Net Position, Beginning of Year	623,344	5,785,252	4,997	6,566	628,341	5,791,818
Prior Period Adjustment	<u>-</u>	<u>(5,356,048)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,356,048)</u>
Net Position, End of Year	<u>\$ 1,617,674</u>	<u>\$ 623,344</u>	<u>\$ 1,352</u>	<u>\$ 4,997</u>	<u>\$ 1,619,026</u>	<u>\$ 628,341</u>

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management’s Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**Governmental activities.** The District’s total governmental revenues were \$17,825,846. The local share of the revenues, that included property taxes, interest and miscellaneous revenue, amounted to \$13,697,154 or 77% of total revenues. Funding from state and federal sources amounted to \$4,044,393 or 22%. Charges for services amounted to \$84,299 or 1%.

The District’s total governmental expense were \$16,818,516 and are predominantly related to instruction and support services. Instruction totaled \$11,404,330 (68%), student and other support services totaled \$5,368,978 (31%) and interest on long-term debt total \$45,208 (1%) of total expenditures. (See Table A-4.)

Table A-3 Revenues by Source – Governmental Activities  
For Fiscal Year 2015

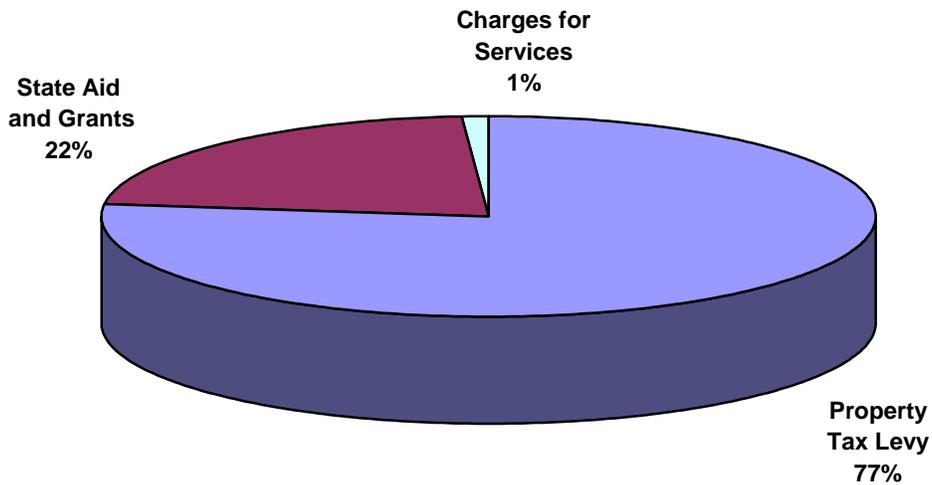
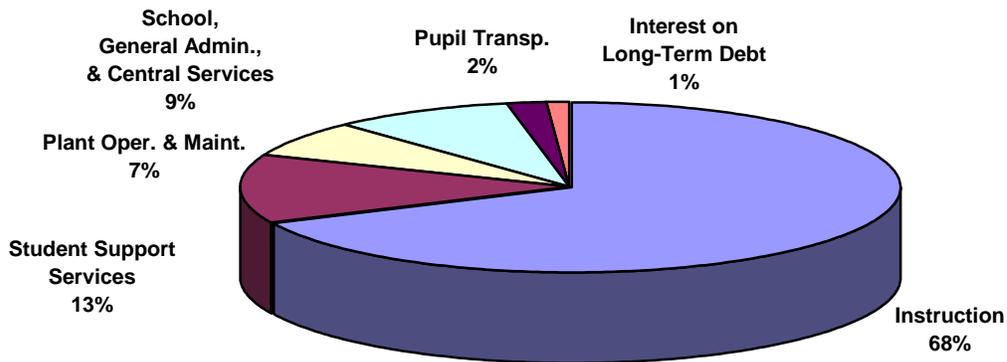


Table A-4 Expenditures by Type- Governmental Activities  
For Fiscal Year 2015



**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**Table A-5  
Cost of Services and Net Cost of Services of Governmental Activities  
For the Fiscal Years Ended June 30, 2015 and 2014**

<u>Functions/Programs</u>	<u>Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Governmental Activities				
Instruction				
Regular	\$ 7,280,993	\$ 6,124,204	\$ 5,422,324	\$ 5,350,748
Special Education	3,824,169	3,342,399	2,214,503	2,208,670
Other Instruction	251,226	323,518	129,564	180,178
School Sponsored Activities and Athletics	47,942	63,845	47,942	63,845
Support Services				
Student and Instruction Related Svcs.	2,187,789	2,002,335	1,867,132	1,865,853
School Administrative Services	743,079	754,923	612,696	700,433
General Administrative Services	468,797	515,227	468,797	515,227
Plant Operations and Maintenance	1,158,476	1,127,070	1,108,890	1,095,858
Pupil Transportation	446,749	467,648	408,680	428,246
Central Services	364,088	388,214	364,088	388,214
Interest on Long-Term Debt	45,208	48,314	45,208	48,314
Total Governmental Activities	<u>\$ 16,818,516</u>	<u>\$ 15,157,697</u>	<u>\$ 12,689,824</u>	<u>\$ 12,845,586</u>

**Business-Type Activities**

The cost of Business-Type Activities for the fiscal year ended June 30, 2015 was \$252,114. These costs were funded by operating grants, charges for services and investment earnings (Detailed on Table A-2). The operations resulted in a decrease in net position of \$3,645.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

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

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

As the District completed the 2014/15 fiscal year, its governmental funds reported a combined fund balance of \$3,318,663. As of June 30, 2014 the fund balance was \$2,460,971.

**The District's Funds**

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$16,299,023 and expenditures were \$15,428,331 for the fiscal year ended June 30, 2015.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental funds revenues for the fiscal years ended June 30, 2015 and 2014.

	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Local Sources	\$ 13,771,905	\$ 13,153,957	\$ 617,948	5%
State Sources	2,177,268	1,874,448	302,820	16%
Federal Sources	<u>349,850</u>	<u>337,432</u>	<u>12,418</u>	4%
Total Revenues	<u>\$ 16,299,023</u>	<u>\$ 15,365,837</u>	<u>\$ 933,186</u>	6%

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

The following schedule presents a summary of governmental fund expenditures for the fiscal years ended June 30, 2015 and 2014.

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Instruction	\$ 10,005,173	\$ 9,724,638	\$ 280,535	3%
Undistributed	5,096,689	5,133,845	(37,156)	-1%
Capital Outlay	94,273	118,839	(24,566)	-21%
Debt Service				
Principal	185,130	183,000	2,130	1%
Interest and other charges	<u>47,066</u>	<u>50,106</u>	<u>(3,040)</u>	-6%
 Total Expenditures	 <u>\$ 15,428,331</u>	 <u>\$ 15,210,428</u>	 <u>\$ 217,903</u>	 1%

**General and Special Revenue Fund**

**Budgetary Highlights**

The District's budget is prepared according to New Jersey law and is based on generally accepted accounting principles on the basis of cash receipts, disbursement and encumbrances. The primary funds are the General Fund and Special Revenue Fund (grants and restricted aid).

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent overexpenditures in specific line item accounts.

**Capital Assets and Debt Administration.** The Little Falls Board of Education's investment in capital assets for its governmental and business type activities as of June 30, 2015 amounts to \$4,120,152 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, construction in progress and machinery and equipment.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**Table A-6  
Capital Assets (net of depreciation)  
as of June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 29,415	\$ 29,415			\$ 29,415	\$ 29,415
Construction In Progress	64,323	-			64,323	-
Land Improvements	1,394,204	1,394,204			1,394,204	1,394,204
Buildings and Building Improvements	6,446,327	6,412,507			6,446,327	6,412,507
Machinery and Equipment	<u>2,155,870</u>	<u>2,159,740</u>	\$ 33,228	\$ 33,228	<u>2,189,098</u>	<u>2,192,968</u>
 Total	 10,090,139	 9,995,866	 33,228	 33,228	 10,123,367	 10,029,094
Less: Accumulated Depreciation	<u>5,969,987</u>	<u>5,711,675</u>	<u>33,228</u>	<u>33,228</u>	<u>6,003,215</u>	<u>5,744,903</u>
 Total - Restated	 <u>\$ 4,120,152</u>	 <u>\$ 4,284,191</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 4,120,152</u>	 <u>\$ 4,284,191</u>

Additional information on Little Falls Board of Education's capital assets can be found in the Notes of this report.

**Debt Administration.** As of June 30, 2015 and 2014 the school district had long-term debt and outstanding long-term liabilities in the amount of \$5,328,155 and \$6,118,944, respectively, as stated in Table A-7.

**Table A-7  
Long-Term Debt  
Outstanding Long-Term Liabilities**

	<u>2015</u>	<u>2014</u>
Bonds Payable, Net	\$ 1,318,281	\$ 1,497,687
Capital Leases	31,870	42,000
Compensated Absences	313,698	383,688
Net Pension Liability	<u>3,664,306</u>	<u>4,195,569</u>
 Total	 <u>\$ 5,328,155</u>	 <u>\$ 6,118,944</u>

The District has outstanding general obligation serial bonds including premium in the amount of \$1,318,281. These bonds were used to finance the facilities acquisitions and construction services at Schools #1, #2 and #3. The District has a capital lease for a bus in the amount of \$31,870. The compensated absences represent the District's liability for unused accrued sick leave. The District has a net pension liability in the amount of \$3,664,306.

Additional information on Little Falls Board of Education's long-term debt can be found in the Notes of this report.

**LITTLE FALLS BOARD OF EDUCATION  
LITTLE FALLS, NEW JERSEY**

**Management's Discussion and Analysis (continued)  
For the Fiscal Year Ended June 30, 2015**

**FOR THE FUTURE**

Currently, the District is in superior financial condition. Everyone associated with the Little Falls School District is grateful for the community support of the schools. A major concern is the financial support required to maintain appropriate class sizes and services. This, in an environment of flat state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the Little Falls School District has committed itself to financial and educational excellence. Its system for financial planning, budgeting, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional information, contact the School Business Administrator at the Little Falls Board of Education, 560 Main St., Little Falls, NJ 07424.

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**BASIC FINANCIAL STATEMENTS**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**LITTLE FALLS BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2015**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,226,914	\$ 927	\$ 3,227,841
Receivables, net			
Receivables from Other Governments	685,059		685,059
Other Accounts Receivable	5,075		5,075
Inventory		579	579
Capital Assets, net			
Not Being Depreciated	93,738		93,738
Being Depreciated, Net	<u>4,026,414</u>	<u>-</u>	<u>4,026,414</u>
Total Assets	<u>8,037,200</u>	<u>1,506</u>	<u>8,038,706</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding of Debt	12,903		12,903
Deferred Amounts on Net Pension Liability	<u>115,225</u>	<u>-</u>	<u>115,225</u>
Total Deferred Outflows of Resources	<u>128,128</u>	<u>-</u>	<u>128,128</u>
Total Assets and Deferred Outflows of Resources	<u>8,165,328</u>	<u>1,506</u>	<u>8,166,834</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	79,443	154	79,597
Unearned Revenue	518,942		518,942
Accrued Interest Payable	18,325		18,325
Noncurrent Liabilities			
Due Within One Year	395,194		395,194
Due Beyond One Year	<u>4,932,961</u>	<u>-</u>	<u>4,932,961</u>
Total Liabilities	<u>5,944,865</u>	<u>154</u>	<u>5,945,019</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	<u>602,789</u>	<u>-</u>	<u>602,789</u>
Total Deferred Inflows of Resources	<u>602,789</u>	<u>-</u>	<u>602,789</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,547,654</u>	<u>154</u>	<u>6,547,808</u>
<b>NET POSITION</b>			
Net Investment in Capital Asset	2,782,904	-	2,782,904
Restricted for:			
Other Purposes	125,000		125,000
Capital Projects	1,807,914		1,807,914
Unrestricted	<u>(3,098,144)</u>	<u>1,352</u>	<u>(3,096,792)</u>
Total Net Position	<u>\$ 1,617,674</u>	<u>\$ 1,352</u>	<u>\$ 1,619,026</u>

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

LITTLE FALLS BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 7,280,993		\$ 1,858,669		\$ (5,422,324)		\$ (5,422,324)
Special Education	3,824,169	\$ 84,299	1,525,367		(2,214,503)		(2,214,503)
Other Instruction	251,226		121,662		(129,564)		(129,564)
School Sponsored Activities	47,942				(47,942)		(47,942)
Support Services:							
Student and Instruction Related Services	2,187,789		320,657		(1,867,132)		(1,867,132)
School Administrative Services	743,079		130,383		(612,696)		(612,696)
General Administrative Services	468,797		-		(468,797)		(468,797)
Plant Operations and Maintenance	1,158,476		20,237	\$ 29,349	(1,108,890)		(1,108,890)
Pupil Transportation	446,749		38,069		(408,680)		(408,680)
Central Services	364,088				(364,088)		(364,088)
Interest on Long-Term Debt	45,208	-	-	-	(45,208)	-	(45,208)
Total Governmental Activities	<u>16,818,516</u>	<u>84,299</u>	<u>4,015,044</u>	<u>29,349</u>	<u>(12,689,824)</u>	<u>-</u>	<u>(12,689,824)</u>
Business-Type Activities:							
Food Service	252,114	117,186	118,281	-	-	\$ (16,647)	(16,647)
Total Business-Type Activities	<u>252,114</u>	<u>117,186</u>	<u>118,281</u>	<u>-</u>	<u>-</u>	<u>(16,647)</u>	<u>(16,647)</u>
Total Primary Government	<u>\$ 17,070,630</u>	<u>\$ 201,485</u>	<u>\$ 4,133,325</u>	<u>\$ 29,349</u>	<u>(12,689,824)</u>	<u>(16,647)</u>	<u>(12,706,471)</u>
General Revenues and Transfers:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					13,403,910		13,403,910
Taxes Levied for Debt Service					221,060		221,060
Unrestricted Grants & Contributions					16,334		16,334
Interest					7,006	2	7,008
Miscellaneous Income					48,844		48,844
Transfers					(13,000)	13,000	-
Total General Revenues and Transfers					<u>13,684,154</u>	<u>13,002</u>	<u>13,697,156</u>
Change in Net Position					994,330	(3,645)	990,685
Net Position—Beginning of Year (Restated)					<u>623,344</u>	<u>4,997</u>	<u>628,341</u>
Net Position—End of Year					<u>\$ 1,617,674</u>	<u>\$ 1,352</u>	<u>\$ 1,619,026</u>

18

**FUND FINANCIAL STATEMENTS**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**LITTLE FALLS BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,488,940		\$ 737,974		\$ 3,226,914
Receivables From Other Governments	59,457	\$ 118,104	507,498	-	685,059
Other Receivables	5,075				5,075
Due from Other Funds	<u>77,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,141</u>
Total Assets	<u>\$ 2,630,613</u>	<u>\$ 118,104</u>	<u>\$ 1,245,472</u>	<u>\$ -</u>	<u>\$ 3,994,189</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 62,301	\$ 970			\$ 63,271
Accrued Salaries	16,172				16,172
Due to Other Funds	-	77,141			77,141
Unearned Revenue	<u>800</u>	<u>39,993</u>	<u>\$ 478,149</u>	<u>-</u>	<u>518,942</u>
Total Liabilities	<u>79,273</u>	<u>118,104</u>	<u>478,149</u>	<u>-</u>	<u>675,526</u>
Fund Balance:					
Restricted					
Excess Surplus	385,723				385,723
Excess Surplus Designated for Subsequent Year's Expenditures	504,785				504,785
Capital Reserve	1,040,591				1,040,591
Emergency Reserve	202,409				202,409
Maintenance Reserve	125,000				125,000
Capital Projects			767,323		767,323
Assigned					
Year-end Encumbrances	35,789				35,789
ARRA/SEMI - Unreserved - Designated for Subsequent Year's Expenditures	16,901				16,901
Unassigned					
General Fund	<u>240,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,142</u>
Total Fund Balances	<u>2,551,340</u>	<u>-</u>	<u>767,323</u>	<u>-</u>	<u>3,318,663</u>
Total Liabilities and Fund Balances	<u>\$ 2,630,613</u>	<u>\$ 118,104</u>	<u>\$ 1,245,472</u>	<u>\$ -</u>	

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

**LITTLE FALLS BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2015**

<b>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</b>	<b>\$ 3,318,663</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$10,090,139 and the accumulated depreciation is \$5,969,987	4,120,152
Amount resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.	12,903
The District has financed capital assets through the issuance of serial bonds. The interest accrued at year end is:	(18,325)
Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows or resources or deferred outflows of resources on the statement of net position and deferred over future years.	
Deferred Outflows of Resources	\$ 115,225
Deferred Inflows of Resources	<u>(602,789)</u>
	(487,564)
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:	
Bonds Payable, Net	(1,318,281)
Capital Leases	(31,870)
Compensated Absence	(313,698)
Net Pension Liability	<u>(3,664,306)</u>
	<u>(5,328,155)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 1,617,674</u></b>

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

**LITTLE FALLS BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources:					
Property Tax Levy	\$ 13,403,910			\$ 221,060	\$ 13,624,970
Tuition	84,299				84,299
Interest	7,006				7,006
Miscellaneous	48,844	\$ 6,786	-	-	55,630
	<u>13,544,059</u>	<u>6,786</u>	<u>-</u>	<u>221,060</u>	<u>13,771,905</u>
Total - Local Sources					
State Sources	2,147,919		\$ 29,349		2,177,268
Federal Sources	47,178	302,672	-	-	349,850
	<u>15,739,156</u>	<u>309,458</u>	<u>29,349</u>	<u>221,060</u>	<u>16,299,023</u>
Total Revenues					
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	6,216,505	7,046			6,223,551
Special Education Instruction	3,277,945	216,504			3,494,449
Other Instruction	158,806	79,811			238,617
School Sponsored Activities and Athletics	48,556				48,556
Support Services	-				-
Student and Instruction Related Services	1,978,013	6,097			1,984,110
School Administrative Services	452,433				452,433
General Administrative Services	691,331				691,331
Plant Operations and Maintenance	1,164,291				1,164,291
Pupil Transportation	442,702				442,702
Central Services	361,822				361,822
Debt Service:					
Principal	10,130			175,000	185,130
Interest and Other Charges	1,006			46,060	47,066
Capital Outlay	-	-	94,273	-	94,273
	<u>14,803,540</u>	<u>309,458</u>	<u>94,273</u>	<u>221,060</u>	<u>15,428,331</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over Expenditures	<u>935,616</u>	<u>-</u>	<u>(64,924)</u>	<u>-</u>	<u>870,692</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In			701,000		701,000
Transfers Out	(714,000)	-	-	-	(714,000)
	<u>(714,000)</u>	<u>-</u>	<u>701,000</u>	<u>-</u>	<u>(13,000)</u>
Total Other Financing Sources and (Uses)					
Net Change in Fund Balances	221,616	-	636,076	-	857,692
Fund Balance, Beginning of Year	<u>2,329,724</u>	<u>-</u>	<u>131,247</u>	<u>-</u>	<u>2,460,971</u>
Fund Balance, End of Year	<u>\$ 2,551,340</u>	<u>\$ -</u>	<u>\$ 767,323</u>	<u>\$ -</u>	<u>\$ 3,318,663</u>

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

**LITTLE FALLS BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Total net change in fund balances - governmental funds (from B-2)** \$ 857,692

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Capital Outlay	\$ 94,273	
Depreciation Expense	<u>(258,312)</u>	(164,039)

Repayment of debt 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.

Bond Principal	175,000	
Capital Leases	<u>10,130</u>	185,130

The issuance of refunding bonds provides current financial resources to the governmental funds, while the repayment of the refunded bonds uses those current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and other such items related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Premium	4,406	
Amortization of Deferred Outflow on Refunding	<u>(4,280)</u>	126

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)

Decrease in Accrued Interest Payable		1,732
--------------------------------------	--	-------

In the statement of activities, certain operating expenses, e.g., compensated absences and pension expense are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Decrease in Compensated Absences	69,990	
Decrease in Pension Expense	<u>43,699</u>	113,689

**Change in net assets of governmental activities (Exhibit A-2)** \$ 994,330

**LITTLE FALLS BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2015**

		<b>Business-Type            Activities            Enterprise Funds</b>
		<u><b>Food Services</b></u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$	927
Inventory		<u>579</u>
Total Current Assets		<u>1,506</u>
Noncurrent Assets		
Furniture, Machinery and Equipment		33,228
Less: Accumulated Depreciation		<u>(33,228)</u>
Total Noncurrent Assets		<u>-</u>
Total Assets		<u>1,506</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable		<u>154</u>
Total Current Liabilities		<u>154</u>
<b>NET POSITION</b>		
Unrestricted		<u>1,352</u>
Total Net Position	\$	<u><u>1,352</u></u>

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

**LITTLE FALLS BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Funds</b>
	<u><b>Food Services</b></u>
<b>OPERATING REVENUES</b>	
Charges for Services	
Daily Sales	\$ 117,186
	<hr/>
Total Operating Revenues	117,186
<b>OPERATING EXPENSES</b>	
Cost of Food	187,118
Salaries and Wages	63,226
Supplies and Materials	821
Other Expense	949
	<hr/>
Total Operating Expenses	252,114
Operating Income (Loss)	<hr/> <u>(134,928)</u>
<b>NONOPERATING REVENUES</b>	
State Sources	
State School Lunch Program	2,808
Federal Sources	
National School Lunch Program	113,573
National School Breakfast Program	1,900
Interest and Investment Revenue	2
	<hr/>
Total Nonoperating Revenues	118,283
Change in Net Position Before Transfers	(16,645)
Transfers In	<hr/> 13,000
Change in Net Position	(3,645)
Total Net Position - Beginning of Year	<hr/> 4,997
Total Net Position - End of Year	<u><u>\$ 1,352</u></u>

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

**LITTLE FALLS BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Funds</b>
	<u><b>Food Services</b></u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 117,186
Cash Payments for Employees' Salaries and Benefits	(63,226)
Cash Payments to Suppliers for Goods and Services	<u>(203,612)</u>
Net Cash Provided by (Used for ) Operating Activities	<u>(149,652)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash Received from State and Federal Subsidy Reimbursements	118,312
Cash Received from Other Funds	<u>13,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>131,312</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>2</u>
Net Cash Provided by Investing Activities	<u>2</u>
Net Increase in Cash and Cash Equivalents	(18,338)
Cash and Cash Equivalents, Beginning of Year	<u>19,265</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 927</u></u>
<b>Reconciliation of Operating (Loss) / Income to Net Cash (Used) / Provided by Operating Activities</b>	
Operating (Loss) / Income	\$ <u>(134,928)</u>
Adjustments to Reconcile Operating Loss to Net Cash (Used) / Provided by Operating Activities	
Non-Cash Federal Assistance - USDA Commodity Program	18,665
(Increase) Decrease in Inventory	558
Increase (Decrease) in Accounts Payable	<u>(33,947)</u>
Total Adjustments	<u>(14,724)</u>
Net Cash (Used) / Provided by Operating Activities	<u><u>\$ (149,652)</u></u>
<b>Non-Cash Investing, Capital and Financial Activities</b>	
Value Received - Food Distribution Program	\$ 18,665

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

**LITTLE FALLS BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2015**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 74,325	\$ 31,438
Total Assets	<u>74,325</u>	<u>\$ 31,438</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings		\$ 9,769
Reserve for Flex Spending		1,533
Due to State of New Jersey	102	
Due to Student Groups	<u>-</u>	<u>20,136</u>
Total Liabilities	<u>102</u>	<u>\$ 31,438</u>
<b>NET POSITION</b>		
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 74,223</u>	

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

**LITTLE FALLS BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Unemployment Compensation <u>Trust Fund</u></b>
<b>ADDITIONS</b>	
Contributions	
Employee	\$ <u>15,704</u>
Total Contributions	<u>15,704</u>
Investment Earnings:	
Interest	<u>179</u>
Net Investment Earnings	<u>179</u>
Total Additions	<u>15,883</u>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>48,877</u>
Total Deductions	<u>48,877</u>
Change in Net Position	(32,994)
Net Position, Beginning of Year	<u>107,217</u>
Net Position, End of Year	<u><u>\$ 74,223</u></u>

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

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**NOTES TO THE FINANCIAL STATEMENTS**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

**B. New Accounting Standards**

During fiscal year 2015, the District adopted the following GASB statements:

- GASB 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

The District was unable to implement these accounting standards for the fiscal year ending June 30, 2015 as the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, has not provided the applicable information required to comply with these accounting standards. Therefore, the District is unable to determine the impact of these accounting standards on its financial statements for the fiscal year ended June 30, 2015.

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

- GASB 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 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*, will be effective beginning with the fiscal year ending June 30, 2017. 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 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB 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 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements**

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

**District-Wide Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, and other items not properly included among program revenues are reported instead as general revenues.

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

**Fund Financial Statements**

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

The District reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the government reports the following fund type:

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

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

**Reclassifications**

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

***1. Cash, Cash Equivalents and Investments***

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

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

**LITTLE FALLS BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Receivables**

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

**3. Inventories**

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

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

**4. Capital Assets**

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

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and Building Improvements	20-50
Machinery and Equipment	5-10

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***5. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

The other item that qualifies for reporting in this category is the deferred 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 government has one type of item which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

***6. Compensated Absences***

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

***7. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**7. Pensions (Continued)**

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

**8. Long-Term Obligations**

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Net Position/Fund Balance**

**District-Wide Statements**

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

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

**Governmental Fund Statements**

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Governmental Fund Statements (Continued)**

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

*Excess Surplus – Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2014 audited excess surplus that was appropriated in the 2015/2016 original budget certified for taxes.

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that is required to be appropriated in the 2016/2017 original budget certified for taxes.

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

*Emergency Reserve* – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

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

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

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

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

*ARRA/SEMI – Designated for Subsequent Year's Expenditures* – This designation was created to dedicate the portion of the ARRA/SEMI revenue that is unexpended at June 30, 2015 that will be appropriated either by Board resolution into the 2015/2016 budget or in the adopted 2016/2017 budget certified for taxes.

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Revenues and Expenditures/Expenses**

**1. *Program Revenues***

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

**2. *Property Taxes***

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

**3. *Tuition Revenues and Expenditures***

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

Tuition Expenditures - Tuition charges for the fiscal years 2013-2014 and 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

**4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 7, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2014/2015. Also, during 2014/2015 the Board increased the original budget by \$850,747. The increase was funded by additional grant awards, the reappropriation of prior year general fund encumbrances and the appropriation of capital reserve funds.

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

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**B. Capital Reserve**

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2015 is as follows:

Balance, July 1, 2014		\$ 860,756
Increased by		
Deposits Approved by District Budget	\$ 190,835	
Deposits Approved by Board Resolution	<u>690,000</u>	
		<u>880,835</u>
		1,741,591
Withdrawals		
Approved by Board Resolution		<u>701,000</u>
Balance, June 30, 2015		<u>\$ 1,040,591</u>

**C. Maintenance Reserve**

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

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**C. Maintenance Reserve (Continued)**

The activity of the maintenance reserve for the fiscal year ended June 30, 2015 is as follows:

Balance, July 1, 2014	<u>\$ 125,000</u>
Balance, June 30, 2015	<u><u>\$ 125,000</u></u>

The June 30, 2015 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$721,143. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

**D. Emergency Reserve**

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to 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 four percent. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

The activity of the emergency reserve for the fiscal year ended June 30, 2015 is as follows:

Balance, July 1, 2014	<u>\$ 202,409</u>
Balance, June 30, 2015	<u><u>\$ 202,409</u></u>

**E. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2015 is \$890,508. Of this amount, \$504,785 was designated and appropriated in the 2015/2016 original budget certified for taxes and the remaining amount of \$385,723 will be appropriated in the 2016/2017 original budget certified for taxes.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2015, the book value of the Board's deposits were \$3,333,604 and bank and brokerage firm balances of the Board's deposits amounted to \$3,647,545. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	<u>\$ 3,647,545</u>
---------	---------------------

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2015 none of the Board's bank balances were exposed to custodial credit risk.

**Investments**

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

As of June 30, 2015, the Board had no outstanding investments.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**B. Receivables**

Receivables as of June 30, 2015 for the district’s individual major funds, in the aggregate, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 59,457	\$ 118,104	\$ 507,498	\$ 685,059
Other	<u>5,075</u>	<u>-</u>	<u>-</u>	<u>5,075</u>
Net Total Receivables	<u>\$ 64,532</u>	<u>\$ 118,104</u>	<u>\$ 507,498</u>	<u>\$ 690,134</u>

**C. Unearned Revenue**

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

General Fund	
Unearned Tuition Revenue	\$ 800
Special Revenue Fund	
Unencumbered Grant Draw Downs	39,993
Capital Projects Fund	
Unrealized School Facilities Grant	<u>478,149</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 518,942</u>

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance, <u>July 1, 2014</u> (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2015</u>
<b>Governmental activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 29,415			\$ 29,415
Construction In Progress	-	\$ 64,323	-	64,323
Total Capital Assets, Not Being Depreciated	<u>29,415</u>	<u>64,323</u>	<u>-</u>	<u>93,738</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,394,204			1,394,204
Buildings and Building Improvements	6,416,377	29,950		6,446,327
Machinery and Equipment	<u>2,155,870</u>	<u>-</u>	<u>-</u>	<u>2,155,870</u>
Total Capital Assets Being Depreciated	<u>9,966,451</u>	<u>29,950</u>	<u>-</u>	<u>9,996,401</u>
Less Accumulated Depreciation for:				
Land Improvements	(669,524)	(69,651)		(739,175)
Buildings and Improvements	(3,264,136)	(122,881)		(3,387,017)
Machinery and Equipment	<u>(1,778,015)</u>	<u>(65,780)</u>	<u>-</u>	<u>(1,843,795)</u>
Total Accumulated Depreciation	<u>(5,711,675)</u>	<u>(258,312)</u>	<u>-</u>	<u>(5,969,987)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,254,776</u>	<u>(228,362)</u>	<u>-</u>	<u>4,026,414</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,284,191</u>	<u>\$ (164,039)</u>	<u>\$ -</u>	<u>\$ 4,120,152</u>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 33,228	-	-	\$ 33,228
Total Capital Assets Being Depreciated	<u>33,228</u>	<u>-</u>	<u>-</u>	<u>33,228</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	(33,228)	\$ -	-	(33,228)
Total Accumulated Depreciation	<u>(33,228)</u>	<u>-</u>	<u>-</u>	<u>(33,228)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LITTLE FALLS BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**D. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction		
Regular	\$	116,345
Special		47,581
Other Instruction		<u>4,701</u>
Total Instruction		<u>168,627</u>
Support Services		
Support Services-Students		46,884
General Administration		7,129
School Administration		14,646
Operations and Maintenance of Plant		13,846
Student Transportation		1,111
Business and Other Support Services		<u>6,069</u>
Total Support Services		<u>89,685</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>258,312</u></u>

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2015, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	<u>\$ 77,141</u>

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

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

**LITTLE FALLS BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**E. Interfund Receivables, Payables, and Transfers (Continued)**

**Interfund transfers**

	Transfer In:		
	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Transfer Out:			
General Fund	\$ 701,000	\$ 13,000	\$ 714,000

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**F. Leases**

**Operating Leases**

The District leases copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2015 were \$19,178. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 19,178
2017	<u>1,600</u>
Total	<u>\$ 20,778</u>

**Capital Leases**

The District is leasing a bus totaling \$50,000 under capital leases. The leases are for terms of 5 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2016	\$ 11,136
2017	11,136
2018	<u>11,136</u>
Total Minimum Lease Payments	33,408
Less: Amount Representing Interest	<u>1,538</u>
Present Value of Minimum Lease Payments	<u>\$ 31,870</u>

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**G. Long-Term Debt**

**General Obligation Bonds**

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

Bonds payable at June 30, 2015 are comprised of the following issues:

\$1,850,000, 2011 Bonds, due in annual installments of \$175,000 to \$190,000 through August 1, 2011, interest at 2.625% to 4.00%	<u>\$1,305,000</u>
---	--------------------

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

**Governmental Activities:**

Fiscal Year Ended <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 185,000	\$ 41,553	\$ 226,553
2017	190,000	36,275	226,275
2018	190,000	30,456	220,456
2019	190,000	24,281	214,281
2020	185,000	17,722	202,722
2021-2024	<u>365,000</u>	<u>14,384</u>	<u>379,384</u>
	<u>\$ 1,305,000</u>	<u>\$ 164,671</u>	<u>\$ 1,469,671</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2015 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 50,812,469
Less: Net Debt	<u>1,305,000</u>
Remaining Borrowing Power	<u>\$ 49,507,469</u>

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**H. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	Balance, <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2015</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 1,480,000		\$ 175,000	\$ 1,305,000	\$ 185,000
Deferred Amounts:					
Add: Original Issue Premium	<u>17,687</u>	<u>-</u>	<u>4,406</u>	<u>13,281</u>	<u>3,607</u>
Total Bonds Payable	1,497,687	-	179,406	1,318,281	188,607
Capital Leases	\$ 42,000		10,130	31,870	10,373
Compensated Absences	383,688	\$ 9,833	79,823	313,698	27,407
Net Pension Liability	<u>4,195,569</u>	<u>-</u>	<u>531,263</u>	<u>3,664,306</u>	<u>168,807</u>
Governmental Activity Long-Term Liabilities	<u>\$ 6,118,944</u>	<u>\$ 9,833</u>	<u>\$ 800,622</u>	<u>\$ 5,328,155</u>	<u>\$ 395,194</u>

Compensated absences are generally liquidated by the general fund.

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

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

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

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

**LITTLE FALLS BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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

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

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

Fiscal Year Ended <u>June 30,</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 15,704	\$ 48,877	\$ 74,223
2014	14,967	70,562	107,217
2013	14,090	36,813	162,515

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2015, the District has not estimated its arbitrage earnings due to the IRS, if any.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans**

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

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

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

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

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

**Other Pension Funds**

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

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

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

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Basis of Accounting**

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

**Investment Valuation**

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

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

**Funding Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 54.2 percent and \$37.3 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 75.4 percent and \$13.7 billion, respectively.

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

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

**Actuarial Methods and Assumptions**

In the July 1, 2013 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 4.24 percent for the PERS and 3.33 percent for TPAF.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.9% for PERS, 6.9% for TPAF and 5.50% for DCRP of the employee’s annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2015 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2015, 2014 and 2013 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2015	\$ 182,549	\$ 348,712	\$ 8,063
2014	189,980	275,885	5,155
2013	164,124	407,621	3,832

For fiscal years 2014/2015 and 2012/2013, the state contributed \$348,712 and \$407,621, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$275,885 for normal cost pension and NCGI premium.

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$492,526 during the fiscal year ended June 30, 2015 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS)**

At June 30, 2015, the District reported in the statement of net position (accrual basis) a liability of \$3,664,306 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the District's proportionate share was .01957 percent, which was an decrease of .00238 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$138,850 for PERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of Assumptions	\$ 115,225	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 218,373
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	384,416
	<hr/>	<hr/>
Total	<b><u>\$ 115,225</u></b>	<b><u>\$ 602,789</u></b>

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

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2016	\$ (104,077)
2017	(104,077)
2018	(104,077)
2019	(104,077)
2020	(49,484)
Thereafter	<u>(21,772)</u>
	<b><u>\$ (487,564)</u></b>

**LITTLE FALLS BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

***Discount Rate***

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

<u>Plan</u>	<u>Discount Rate</u>
PERS	5.39%



**LITTLE FALLS BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF)**

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

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,875,536 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2015 the State's proportionate share of the net pension liability attributable to the District is \$34,855,179. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2014.

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<b><u>TPAF</u></b>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2009 -
Study Upon Which Actuarial	June 30, 2012
Assumptions were Based	

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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

*Discount Rate*

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

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.68%

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

**TPAF**

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

\* The municipal bond return rate used is 4.29%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.68%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

	<b>1% Decrease <u>(3.68%)</u></b>	<b>Current Discount Rate <u>(4.68%)</u></b>	<b>1% Increase <u>(5.68%)</u></b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 41,921,718</u>	<u>\$ 34,855,179</u>	<u>\$ 28,977,899</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2014. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2014 was not provided by the pension system.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

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

***Pension Plan Fiduciary Net Position***

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

**E. Post-Retirement Medical Benefits**

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2014.

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

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

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

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Basis of Accounting**

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

**Significant Legislation**

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

**Investment Valuation**

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

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$53.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.7 billion for state active and retired members and \$33.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**Actuarial Methods and Assumptions**

In the July 1, 2013, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**LITTLE FALLS BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2014, there were 103,432, retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2015, 2014 and 2013 were \$553,581, \$452,348 and \$460,917, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**NOTE 5 RESTATEMENT**

On July 1, 2014, the Little Falls Board of Education implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions. The Little Falls Board of Education has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2014 was to recognize the District's proportionate share of the Public Employees' Retirement System's (PERS) net pension liability, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$4,195,569.

On July 1, 2014, the Little Falls Board of Education had a capital asset evaluation performed. The Little Falls Board of Education has determined that the effect of this evaluation on the financial statements previously reported as of and for the fiscal year ended June 30, 2014 was to reduce the valuation of the capital assets in the amount of \$1,160,479.

The result of these restatements is to reduce total net position of governmental activities at June 30, 2014 from \$5,979,392 as originally reported to \$623,344.

**NOTE 6 SUBSEQUENT EVENT**

On September 29, 2015, the District held a special election for consideration of a bond proposal for various school improvements by the legally qualified voters of the school district. The bond proposal was approved by the voters authorizing the District to issue bonds in the amount of \$3,067,765 for various school improvements. As of the date of the audit the District has not issued said bonds.

**BUDGETARY COMPARISON SCHEDULES**

**[THIS PAGE INTENTIONALLY LEFT BLANK]**

**LITTLE FALLS BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 13,403,910		\$ 13,403,910	\$ 13,403,910	
Tuition	95,000		95,000	84,299	\$ (10,701)
Interest	500		500	7,006	6,506
Miscellaneous	3,440	-	3,440	48,844	45,404
<b>Total Local Sources</b>	<b>13,502,850</b>	<b>-</b>	<b>13,502,850</b>	<b>13,544,059</b>	<b>41,209</b>
State Sources					
Special Education Aid	458,142		458,142	458,142	
Transportation Aid	32,836		32,836	32,836	
Security Aid	20,222		20,222	20,222	
Adjustment Aid	1		1	1	
PARCC Readiness Aid	9,010		9,010	9,010	
Per Pupil Growth Aid	9,010		9,010	9,010	
Extraordinary Aid				101,433	101,433
Additional Nonpublic Transportation Aid				5,208	5,208
On-behalf TPAF Pension System Contribution (Non-Budgeted)					
Normal				325,308	325,308
Premium NCGI				23,404	23,404
Post Retirement Medical Benefits				553,581	553,581
On-behalf TPAF Social Security Contributions (Non-budgeted)	-	-	-	492,526	492,526
<b>Total State Sources</b>	<b>529,221</b>	<b>-</b>	<b>529,221</b>	<b>2,030,681</b>	<b>1,501,460</b>
Federal Sources					
ARRA/SEMI				16,901	16,901
Semi Medicaid Reimbursement	-	-	-	30,277	30,277
<b>Total Federal Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,178</b>	<b>47,178</b>
<b>Total Revenues</b>	<b>14,032,071</b>	<b>-</b>	<b>14,032,071</b>	<b>15,621,918</b>	<b>1,589,847</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	83,455	\$ (334)	83,121	78,783	4,338
Kindergarten	332,580	323	332,903	319,687	13,216
Grades 1-5	2,284,348	(292,469)	1,991,879	1,989,777	2,102
Grades 6-8	1,325,120	340,209	1,665,329	1,655,769	9,560
Regular Programs - Home Instruction					
Salaries of Teachers	7,000	38	7,038	7,038	
Purchased Professional Education Svcs.		17,345	17,345	10,341	7,004
Regular Programs - Undistributed Instruction					
Purchased Professional Education Svcs.	8,418		8,418	8,244	174
Purchased Technical Services	8,721	(70)	8,651	6,993	1,658
Other Purchased Services	108,366	5,070	113,436	108,590	4,846
General Supplies	158,740	(15,921)	142,819	132,184	10,635
Textbooks	47,994	(17,599)	30,395	15,111	15,284
<b>Total Regular Programs</b>	<b>4,364,742</b>	<b>36,592</b>	<b>4,401,334</b>	<b>4,332,517</b>	<b>68,817</b>

**LITTLE FALLS BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE (Continued)</b>					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 268,503	\$ 9,884	\$ 278,387	\$ 278,228	\$ 159
Other Salaries for Instruction	238,227	64,063	302,290	301,350	940
General Supplies	1,800		1,800	1,399	401
Textbooks	1,600	-	1,600	681	919
	<u>510,130</u>	<u>73,947</u>	<u>584,077</u>	<u>581,658</u>	<u>2,419</u>
Total Learning and/or Language Disabilities					
Multiple Disabilities					
Salaries of Teachers	167,605		167,605	166,381	1,224
Other Salaries for Instruction	354,972	(90,705)	264,267	262,456	1,811
Purchased Professional-Educational Svs.	31,400		31,400	18,515	12,885
General Supplies	3,000	-	3,000	1,587	1,413
	<u>556,977</u>	<u>(90,705)</u>	<u>466,272</u>	<u>448,939</u>	<u>17,333</u>
Total Multiple Disabilities					
Resource Room/Resource Center					
Salaries of Teachers	654,930	116,122	771,052	761,052	10,000
Other Salaries for Instruction	79,588	(19,215)	60,373	55,372	5,001
Supplies	2,500	(37)	2,463	1,733	730
Textbooks	1,200	37	1,237	1,216	21
	<u>738,218</u>	<u>96,907</u>	<u>835,125</u>	<u>819,373</u>	<u>15,752</u>
Total Resource Room/Resource Center					
Preschool Disabilities - Part Time					
Salaries of Teachers	80,493	(72,198)	8,295	7,235	1,060
Other Salaries for Instruction	33,247	16,369	49,616	49,223	393
General Supplies	-	700	700	700	-
	<u>113,740</u>	<u>(55,129)</u>	<u>58,611</u>	<u>57,158</u>	<u>1,453</u>
Total Preschool Disabilities - Part Time					
Preschool Disabilities - Full Time					
Salaries of Teachers	51,687	13,740	65,427	63,108	2,319
Other Salaries for Instruction	161,296	41,666	202,962	202,083	879
Purchased Professional-Educational Svs.	10,800	4,890	15,690	15,690	
General Supplies	2,000	(700)	1,300	1,015	285
	<u>225,783</u>	<u>59,596</u>	<u>285,379</u>	<u>281,896</u>	<u>3,483</u>
Total Preschool Disabilities - Full Time					
Basic Skills/Remedial - Instruction					
Salaries of Teachers	120,011	(27,222)	92,789	86,923	5,866
General Supplies	1,000	-	1,000	-	1,000
	<u>121,011</u>	<u>(27,222)</u>	<u>93,789</u>	<u>86,923</u>	<u>6,866</u>
Total Basic Skills/Remedial - Instruction					
Bilingual Education					
Salaries of Teachers	89,633	(13,637)	75,996	4,639	71,357
Purchased Professional-Educational Services		13,637	13,637	13,636	1
General Supplies	2,000	-	2,000	137	1,863
	<u>91,633</u>	<u>-</u>	<u>91,633</u>	<u>18,412</u>	<u>73,221</u>
Total Bilingual Education					
School Sponsored Co-Curricular Activities					
Salaries	44,788	-	44,788	35,131	9,657
	<u>44,788</u>	<u>-</u>	<u>44,788</u>	<u>35,131</u>	<u>9,657</u>
Total School Sponsored Co-Curricular Activities					
	<u>6,767,022</u>	<u>93,986</u>	<u>6,861,008</u>	<u>6,662,007</u>	<u>199,001</u>
Total - Instruction					

**LITTLE FALLS BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE (Continued)</b>					
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs within the State-Special	\$ 37,404	\$ (4,321)	\$ 33,083	\$ 9,966	\$ 23,117
Tuition to Priv Sch. For Disabled w/in State	255,974	(5,885)	250,089	146,157	103,932
Tuition - Other	-	4,321	4,321	4,321	-
	<u>293,378</u>	<u>(5,885)</u>	<u>287,493</u>	<u>160,444</u>	<u>127,049</u>
Total Undistributed Expenditures - Instruction					
Health Services					
Salaries	239,481	(24,815)	214,666	214,629	37
Purchased Professional and Technical Svs.	17,370	1,000	18,370	18,080	290
Supplies and Materials	14,000	(4,160)	9,840	7,957	1,883
	<u>270,851</u>	<u>(27,975)</u>	<u>242,876</u>	<u>240,666</u>	<u>2,210</u>
Total Health Services					
Speech, OT, PT and Related Services					
Salaries	222,550	5,813	228,363	228,362	1
Purchased Professional-Educational Services	70,173	(36)	70,137	60,909	9,228
Supplies and Materials	5,500	-	5,500	1,365	4,135
	<u>298,223</u>	<u>5,777</u>	<u>304,000</u>	<u>290,636</u>	<u>13,364</u>
Total Speech, OT, PT and Related Services					
Other Support Services - Students - Extra Services					
Salaries	164,580	(13,998)	150,582	150,205	377
Purchased Professional-Educational Services	104,473	-	104,473	90,023	14,450
	<u>269,053</u>	<u>(13,998)</u>	<u>255,055</u>	<u>240,228</u>	<u>14,827</u>
Total Other Support Services - Students - Extra Services					
Guidance					
Salaries of Other Professional Staff	49,500	7,694	57,194	57,193	1
Supplies and Materials	1,000	-	1,000	184	816
	<u>50,500</u>	<u>7,694</u>	<u>58,194</u>	<u>57,377</u>	<u>817</u>
Total Guidance					
Child Study Teams					
Salaries of Other Professional Staff	470,189	(29,487)	440,702	439,701	1,001
Salaries of Secretarial and Clerical Assistants	59,727		59,727	59,569	158
Purchased Professional-Educational Services		6,500	6,500	6,000	500
Other Purchased Professional-Technical Svs.	6,000		6,000	6,000	
Supplies and Materials	2,000		2,000	1,167	833
Other Objects	1,500	-	1,500	1,355	145
	<u>539,416</u>	<u>(22,987)</u>	<u>516,429</u>	<u>513,792</u>	<u>2,637</u>
Total Child Study Teams					
Improvement of Instruction Services					
Purchased Professional-Educational Services	31,300	(11,475)	19,825	10,075	9,750
Other Purchased Services	5,000	-	5,000	144	4,856
	<u>36,300</u>	<u>(11,475)</u>	<u>24,825</u>	<u>10,219</u>	<u>14,606</u>
Total Improvement of Instruction Services					

**LITTLE FALLS BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE (Continued)</b>					
Undistributed Expenditures					
Educational Media Services/School Library					
Salaries	\$ 45,292	\$ (7,472)	\$ 37,820	\$ 37,819	\$ 1
Purchased Professional and Technical Services	73,170	1,860	75,030	74,280	750
Supplies and Materials	2,500	-	2,500	1,608	892
	<u>120,962</u>	<u>(5,612)</u>	<u>115,350</u>	<u>113,707</u>	<u>1,643</u>
Total Educational Media Services/School Library					
Instructional Staff Training Service					
Purchased Professional - Educational Svcs.	13,100	(2,000)	11,100	3,174	7,926
Other Purchased Services	4,800	2,000	6,800	5,850	950
	<u>17,900</u>	<u>-</u>	<u>17,900</u>	<u>9,024</u>	<u>8,876</u>
Total Instructional Staff Training Service					
Support Services General Administration					
Salaries	181,598	(21,733)	159,865	159,865	
Legal Services	45,000	16,328	61,328	61,328	
Audit Fees	24,152	31,222	55,374	32,087	23,287
Architectural/Engineering Services		3,818	3,818	3,817	1
Other Purchased Professional Services	26,017	14,149	40,166	40,166	
Communications/Telephone	19,400	1,790	21,190	21,190	
BOE Other Purchased Services	3,000	(444)	2,556	2,556	
Miscellaneous Purchased Services	33,800	2,958	36,758	36,517	241
Supplies and Materials	4,000	(476)	3,524	3,524	
Judgments Against the School District		1,604	1,604	1,603	1
Miscellaneous Expenditures	1,825	80	1,905	1,905	
BOE Membership Dues and Fees	7,100	(460)	6,640	6,640	-
	<u>345,892</u>	<u>48,836</u>	<u>394,728</u>	<u>371,198</u>	<u>23,530</u>
Total Support Services General Administration					
Support Services School Administration					
Salaries of Principals/Asst. Principals	300,684	(15,425)	285,259	285,258	1
Salaries of Secretarial and Clerical Assistants	159,895	(960)	158,935	158,389	546
Other Salaries	4,000	12,219	16,219	16,218	1
Purchased Professional and Technical Svcs.	2,500		2,500	2,500	
Other Purchased Services	500	(52)	448	312	136
Supplies and Materials	7,150	(558)	6,592	6,580	12
Other Objects	3,175	(1,296)	1,879	1,879	-
	<u>477,904</u>	<u>(6,072)</u>	<u>471,832</u>	<u>471,136</u>	<u>696</u>
Total Support Services School Administration					
Undistributed Expenditures - Central Services					
Salaries	234,350	(34,356)	199,994	179,510	20,484
Purchased Professional Services	1,500	99,350	100,850	87,880	12,970
Purchased Technical Services	3,500	(2,248)	1,252		1,252
Misc. Purchased Services - Travel	2,500	(1,635)	865	222	643
Supplies and Materials	5,500	(492)	5,008	5,005	3
Other Objects	1,800	(182)	1,618	1,618	-
	<u>249,150</u>	<u>60,437</u>	<u>309,587</u>	<u>274,235</u>	<u>35,352</u>
Total Undistributed Expenditures -Central Services					

**LITTLE FALLS BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE (Continued)</b>					
Undist. Expend. - Admin. Info. Technology					
Purchased Technical Services	\$ 4,434	\$ 610	\$ 5,044	\$ 5,043	\$ 1
Supplies and Materials	<u>12,701</u>	<u>1,248</u>	<u>13,949</u>	<u>13,949</u>	<u>-</u>
Total Undist. Expend-Admin. Info. Tech.	<u>17,135</u>	<u>1,858</u>	<u>18,993</u>	<u>18,992</u>	<u>1</u>
Undist. Expend. - Required Maint. For School Facilities					
Salaries	89,753	149	89,902	89,902	
Cleaning, Repair, and Maintenance	37,907	(977)	36,930	33,385	3,545
General Supplies	33,552	(8,913)	24,639	19,825	4,814
Other Objects	<u>757</u>	<u>-</u>	<u>757</u>	<u>628</u>	<u>129</u>
Total Undist. Expend - Required Maint. For School Facilities	<u>161,969</u>	<u>(9,741)</u>	<u>152,228</u>	<u>143,740</u>	<u>8,488</u>
Custodial Services					
Salaries	388,833	10,996	399,829	392,121	7,708
Salaries of Non-Instructional Aides	23,664	6,935	30,599	26,865	3,734
Purchased Professional and Technical Svcs.	9,727	14,187	23,914	19,593	4,321
Cleaning, Repair, and Maintenance Services	54,248	27,121	81,369	76,742	4,627
Other Purchased Property Services	13,000	6,221	19,221	19,220	1
Insurance	69,500	(4,688)	64,812	64,811	1
General Supplies	38,211	7,673	45,884	45,741	143
Energy(Electricity)	120,000	(1,420)	118,580	103,038	15,542
Energy (Gasoline)	18,000	(1,690)	16,310	10,644	5,666
Energy (Natural Gas)	139,600	(43,103)	96,497	66,888	29,609
Other Objects	<u>800</u>	<u>-</u>	<u>800</u>	<u>430</u>	<u>370</u>
Total Custodial Services	<u>875,583</u>	<u>22,232</u>	<u>897,815</u>	<u>826,093</u>	<u>71,722</u>
Student Transportation Services					
Salaries for Pupil Transportation (Between Home and School) - Regular	20,000	549	20,549	17,452	3,097
Salaries for Pupil Transportation (Between Home and School) - Sp Ed	72,488	(6,015)	66,473	55,093	11,380
Management Fee - ESC & CTSA					
Transportation Prog.	12,000		12,000	3,303	8,697
Cleaning, Repair & Maint. Services	13,000		13,000	6,092	6,908
Lease Purchase Payments - School Buses	9,000	2,137	11,137	11,136	1
Contracted Services (Special Ed. Students)-Vendors	25,000	(10,074)	14,926		14,926
Contracted Services (Other Than Between Home and School) - Vendors	3,000	4,300	7,300	2,805	4,495
Contracted Services (Between Home and School) - Joint Agreements	25,000		25,000	16,818	8,182
Contracted Services (Regular Ed. Students)- ESCs & CTSAs	227,612		227,612	221,040	6,572
Contracted Services (Special Ed. Students)- ESCs & CTSAs	68,268	4,074	72,342	66,638	5,704
Contracted Services-Aid in Lieu of Payments - Non-Public Schools	40,491	(5,516)	34,975	22,984	11,991
Miscellaneous Purchased Services-Trans.	500	208	708	708	-
Supplies and Materials	<u>3,915</u>	<u>(129)</u>	<u>3,786</u>	<u>2,048</u>	<u>1,738</u>
Total Student Transportation Services	<u>520,274</u>	<u>(10,466)</u>	<u>509,808</u>	<u>426,117</u>	<u>83,691</u>

**LITTLE FALLS BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE (Continued)</b>					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 197,000	\$ 3,453	\$ 200,453	\$ 200,452	\$ 1
Other Retirement Contributions-PERS	210,000	(22,193)	187,807	182,549	5,258
Other Retirement Contributions-DCRP		8,063	8,063	8,063	-
Workmen's Compensation	77,685	(9,400)	68,285	68,187	98
Health Benefits	2,251,000	(77,299)	2,173,701	1,967,641	206,060
Tuition Reimbursement	35,000	740	35,740	35,740	-
Other Employee Benefits	91,000	1,536	92,536	85,684	6,852
<b>Total Unallocated Benefits - Employee Benefits</b>	<u>2,861,685</u>	<u>(95,100)</u>	<u>2,766,585</u>	<u>2,548,316</u>	<u>218,269</u>
On-behalf TPAF Pension System Contribution (Non-Budget)					
NCGI Premium				325,308	(325,308)
Normal				23,404	(23,404)
Post Retirement Medical Benefits				553,581	(553,581)
On-behalf TPAF Social Security Contributions (Non-budgeted)	-	-	-	492,526	(492,526)
<b>Total On-behalf Contributions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,394,819</u>	<u>(1,394,819)</u>
<b>Total Undistributed Expenditures</b>	<u>7,406,175</u>	<u>(62,477)</u>	<u>7,343,698</u>	<u>8,110,739</u>	<u>(767,041)</u>
<b>Total Expenditures - Current Expense</b>	<u>14,173,197</u>	<u>31,509</u>	<u>14,204,706</u>	<u>14,772,746</u>	<u>(568,040)</u>
<b>CAPITAL OUTLAY</b>					
Interest Deposit to Capital Reserve	500	-	500		500
Increase in Capital Reserve	190,335	-	190,335	-	190,335
<b>Total Capital Outlay</b>	<u>190,835</u>	<u>-</u>	<u>190,835</u>	<u>-</u>	<u>190,835</u>
Facilities Acquisition and Construction Serv. Assessment for Debt Service on SDA Funding	20,146	-	20,146	20,146	-
<b>Total Facilities Acquisition and Construction Serv.</b>	<u>20,146</u>	<u>-</u>	<u>20,146</u>	<u>20,146</u>	<u>-</u>
<b>Total Capital Outlay</b>	<u>210,981</u>	<u>-</u>	<u>210,981</u>	<u>20,146</u>	<u>190,835</u>
Transfer of Funds to Charter Schools	10,648	-	10,648	10,648	-
<b>Total Expenditures</b>	<u>14,394,826</u>	<u>\$ 31,509</u>	<u>14,426,335</u>	<u>14,803,540</u>	<u>(377,205)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(362,755)	(31,509)	(394,264)	818,378	1,212,642
Other Financing Sources (Uses)					
Transfers to Enterprise Fund - Food Service		(13,000)	(13,000)	(13,000)	
Transfers Out - Capital Projects	-	(701,000)	(701,000)	(701,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(714,000)</u>	<u>(714,000)</u>	<u>(714,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	(362,755)	(745,509)	(1,108,264)	104,378	1,212,642
Fund Balances, Beginning of Year	2,595,655	-	2,595,655	2,595,655	-
Fund Balances, End of Year	<u>\$ 2,232,900</u>	<u>\$ (745,509)</u>	<u>\$ 1,487,391</u>	<u>\$ 2,700,033</u>	<u>\$ 1,212,642</u>

**LITTLE FALLS BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Recapitulation:</b>					
Fund Balance:					
Restricted					
Excess Surplus				\$ 385,723	
Excess Surplus Designated for Subsequent Year's Expenditures				504,785	
Capital Reserve				1,040,591	
Emergency Reserve				202,409	
Maintenance Reserve				125,000	
Assigned					
Year-end Encumbrances				35,789	
Unreserved ARRA/SEMI Reserve for Subsequent Year's Expenditures				16,901	
Unassigned				<u>388,835</u>	
				2,700,033	
Less: State Aid Payment Not Recognized on GAAP				(49,532)	
Extraordinary Aid Payment Not Recognized on GAAP				<u>(99,161)</u>	
Fund Balance, GAAP Basis				<u>\$ 2,551,340</u>	

**LITTLE FALLS BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Federal Sources	\$ 244,212	\$ 97,938	\$ 342,150	\$ 302,672	\$ (39,478)
Local Sources	-	7,300	7,300	6,786	(514)
Total Revenues	<u>244,212</u>	<u>105,238</u>	<u>349,450</u>	<u>309,458</u>	<u>(39,992)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	58,152	14,600	72,752	55,248	17,504
Other Purchased Services	8,659	(8,659)	-	-	-
Tuition	138,286	32,007	170,293	169,925	368
General Supplies	<u>38,265</u>	<u>32,772</u>	<u>71,037</u>	<u>67,012</u>	<u>4,025</u>
Total Instruction	<u>243,362</u>	<u>70,720</u>	<u>314,082</u>	<u>292,185</u>	<u>21,897</u>
Support Services					
Purchase Professional & Educational	-	2,500	2,500	2,000	500
Other Purchased Services	850	5,680	6,530	-	6,530
Personal Services- Employee Benefits	-	15,338	15,338	11,176	4,162
General Supplies	<u>-</u>	<u>11,000</u>	<u>11,000</u>	<u>4,097</u>	<u>6,903</u>
Total Support Services	<u>850</u>	<u>34,518</u>	<u>35,368</u>	<u>17,273</u>	<u>18,095</u>
Total Expenditures	<u>244,212</u>	<u>105,238</u>	<u>349,450</u>	<u>309,458</u>	<u>39,992</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION**

\_\_\_\_\_, 2016

The Board of Education of the  
Township of Little Falls in the  
County of Passaic, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Township of Little Falls in the County of Passaic, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$3,067,000 School Bonds dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on August 18, 2015 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on September 29, 2015 and (iii) a resolution duly adopted by the Board of Education on January 26, 2016. The Bonds are secured under the provisions of 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).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the school district for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously

complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, pursuant to Section 103(a) of the Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It is also our opinion that interest on the Bonds held by a corporate taxpayer is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,