New Issue **Ratings:** ***See "Ratings" herein***

OFFICIAL STATEMENT DATED OCTOBER 18, 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 PENNSVILLE IN THE COUNTY OF SALEM, NEW JERSEY $14,725,000 SCHOOL BONDS (Book-Entry-Only) (Callable)

Dated: Date of Delivery **Due:** September 1, as shown below

The $14,725,000 School Bonds (the "Bonds") of The Board of Education of the Township of Pennsville in the County of Salem, 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 March 1 and September 1 in each year until maturity, or earlier redemption, commencing on September 1, 2017. 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 February 15 and August 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.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. *See* "BOND INSURANCE" herein.

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

Year	Principal Amount	Interest Rate	Yield	CUSIPS*	Year	Principal Amount	Interest Rate	Yield	CUSIPS*
2017	$450,000	2.25%	0.90%	708612AV8	2027	$825,000	3.00%	2.50%	708612BF2
2018	615,000	2.25	1.13	708612AW6	2028	850,000	3.00	2.65	708612BG0
2019	630,000	2.50	1.25	708612AX4	2029	875,000	3.00	2.80	708612BH8
2020	650,000	2.50	1.35	708612AY2	2030	900,000	3.00	2.90	708612BJ4
2021	675,000	2.50	1.50	708612AZ9	2031	900,000	3.00	3.00	708612BK1
2022	700,000	2.50	1.60	708612BA3	2032	900,000	3.00	3.10	708612BL9
2023	730,000	2.50	1.80	708612BB1	2033	900,000	3.125	3.15	708612BM7
2024	750,000	2.50	2.00	708612BC9	2034	900,000	3.125	3.25	708612BN5
2025	775,000	2.50	2.20	708612BD7	2035	900,000	3.25	3.30	708612BP0
2026	800,000	3.00	2.35	708612BE5					

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 November 9, 2016.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

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

THE BOARD OF EDUCATION OF
TOWNSHIP OF PENNSVILLE
IN THE COUNTY OF SALEM, NEW JERSEY

MEMBERS OF THE BOARD

Katherine A. Bodine, President
Jack Nugent, Vice President
Greg Acton
Keith Chambers
Thomas W. Hassler, III
John Lang
Nancy Philips
Diana Staffieri-Morris
Jeffrey Thomas

SUPERINTENDENT

Dr. Michael Brodzik

SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY

Richard Davidson

BOARD AUDITOR

Nightlinger, Colavita & Volpa, P.A.
Williamstown, New Jersey

SOLICITOR

Comegno Law Group, P.C.
Moorestown, 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.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
TOWNSHIP OF PENNSVILLE
IN THE COUNTY OF SALEM, NEW JERSEY

$14,725,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY ISSUE)
(CALLABLE)

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 Pennsville in the County of Salem, 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 $14,725,000 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 September 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 March and September, commencing on September 1, 2017 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each February 15 and August 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 Cede & Co. (or any successor or assign) 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 September 1, 2027 are not subject to redemption. The Bonds maturing on or after September 1, 2027 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after September 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 except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights general.

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+" (stable) to "A" (stable). Moody's Investors Service, Inc. has downgraded the School Bond Reserve rating from "Aa3" (stable) to "A2" (negative).

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 31, 2015 and approved by a majority of the legal voters present and voting at the school district election held on November 3, 2015 and by a resolution duly adopted by the Board on September 26, 2016 (the "Resolution").

The purpose of the Bonds is to provide funds: (a) to undertake various improvements and renovations to the Central Park Elementary School, Penn Beach Elementary School, Valley Park Elementary School, Pennsville Middle School and Pennsville Memorial High School; and (b) to acquire the necessary equipment as well as undertake any associated site work. The total cost of the project is

$14,725,000 which will be funded through the issuance of the Bonds. The Board also expects to receive debt service aid on the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $485.9 million, $53.4 million and $432.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOOK-ENTRY-ONLY SYSTEM[1]

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

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

[1] Source: The Depository Trust Company

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 and 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 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.

THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions 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 Pennsville (the "Township") located in the County of Salem (the "County"), New Jersey (the "State"). The school district serves kindergarten through twelfth (12th) grade.

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

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 fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, approves fiscal matters;

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

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

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

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

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

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

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

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating

budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the Board has moved its annual election to November as discussed below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing 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 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. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four years.

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

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

Spending Growth Limitation

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough

and efficient education as mandated by the State constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

Tax and Spending Limitations

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

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

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded $40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approved 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 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 <u>et</u> <u>seq</u>.)

Every board is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the 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 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 years 2011 through 2016 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the 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, 2014.

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. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year's principal payment for a bond issue.

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

The foundation of the 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 years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP"

appropriations to within "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 Salem 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 and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of $10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

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 Nightlinger, Colavita & Volpa, P.A., Williamstown, New Jersey, an independent auditor, as stated in the reports appearing in Appendix B to this Official Statement. *See* "APPENDIX B –Pennsville Board of Education Financial Statements".

LITIGATION

To the knowledge of the Board Attorney, Comegno Law Group, P.C., Moorestown, 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 <u>will</u> <u>not</u> 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 may be passed on to the Board for review by the Board Attorney.

PREPARATION OF OFFICIAL STATEMENT

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

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.

UNDERWRITING

The Bonds have been purchased from the School District at a public sale by Roosevelt & Cross, Incorporated, New York, New York (the "Underwriter") at a price of $14,725,000.00. The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields or prices set forth on the front cover page of this Official Statement.

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned its rating of "AA" (stable outlook) to the Bonds based upon the municipal bond insurance policy issued by BAM at the time of delivery of the Bonds. The Rating Agency has assigned an underlying rating of "A+" (stable outlook) to the Bonds based upon the underlying credit of the School District. The Rating Agency has also assigned its rating of "A" (negative outlook) to the Bonds based upon the additional security provided by the School Bond Reserve.

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 indebtedness; (2) property valuation information; and (3) 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 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 Boards only current continuing disclosure obligation does not begin until February 1, 2017. The Board has appointed Phoenix Advisors, LLC, Bordentown, New Jersey to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its future obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Richard Davidson, Business Administrator/Board Secretary, at 30 Church Street, Pennsville, NJ 08070, (856) 540-6200, 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 he has examined this Official Statement (including the appendices) and the financial and other data concerning the School District contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by the 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 PENNSVILLE IN THE COUNTY OF SALEM, NEW JERSEY

By: _/s/ *Richard Davidson*_____
Richard Davidson, Business Administrator/Board Secretary

Date: October 18, 2016

APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL DISTRICT AND THE TOWNSHIP OF PENNSVILLE

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INFORMATION REGARDING THE SCHOOL DISTRICT[1]

Type

The School District is a Type II school district that is coterminous with the borders of the Township of Pennsville (the "Board"). The School District provides a full range of educational services appropriate to Kindergarten through the twelfth grades.

The Board is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

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

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

Description of Facilities

The Board presently operates the following school facilities:

Facility	Grade Level	Student Enrollment (As of 6/30/15)
Valley Park Elementary School	K-1	303
Central Park Elementary School	2-3	241
Penn Beach Elementary School	4-5	282
Pennsville Middle School	6-8	423
Pennsville Memorial High School	9-12	541

Source: Comprehensive Annual Financial Report of the School District

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

Staff

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

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2015, for each of the past five (5) years.

	2015	2014	2013	2012	2011
Teaching Professionals	213	213	213	213	212
Support Staff	54	54	54	55	54
Total Full & Part Time Employees	267	267	267	268	266

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

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

Pupil Enrollments

School Year	Enrollment
2014-2015	1,790
2013-2014	1,856
2012-2013	1,912
2011-2012	1,953
2010-2011	2,038

Projected Future Enrollments

School Year	Enrollment
2016-2017	1,800
2015-2016	1,800

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

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the "Pension System"). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the

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

Fiscal 2015-16 Budget

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

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2015-2016 fiscal year is $30,189,921. The major sources of revenue are $19,610,791 from the local tax levy and $8,855,146 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

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

Budget Year	Amount Raised in Taxes	Budget Amount	Election Result
2015-2016	$19,610,791	$30,189,921	N/A
2014-2015	18,968,608	28,795,920	N/A
2013-2014	18,596,675	28,232,711	N/A
2012-2013	18,232,034	28,084,996	N/A
2011-2012	17,874,543	27,129,043	Passed

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

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2011 through June 30, 2015 for the general fund. This summary should be used in conjunction with the tables in the sourced documents from which it is derived (see Appendix B). Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

	2015	2014	2013	2012	2011
REVENUES					
Local Sources:					
Local Tax Levy	$18,968,608	$18,596,675	$18,232,034	$17,874,543	$17,524,062
Other Local Revenue	366,334	174,757	579,390	528,946	478,944
Total revenues-local sources	19,334,942	18,771,432	18,811,424	18,403,489	18,003,006
State Sources	11,487,409	10,984,702	11,268,504	10,379,178	9,711,524
Federal Sources	65,400	48,688	29,419	352,531	50,416
Total Revenues	$30,887,751	$29,804,822	$30,109,348	$29,135,198	$27,764,945
EXPENDITURES					
General Fund:					
Instruction	$11,375,643	$11,297,909	$11,505,334	$11,364,906	$11,402,084
Undistributed Expenditures	18,019,372	18,582,449	17,917,429	16,888,246	16,391,054
Capital Outlay	813,693	2,183,393	589,452	389,388	337,976
Total Expenditures	$30,208,708	$32,063,751	$30,012,215	$28,642,540	$28,131,114
Excess (Deficiency) of Revenues Over/(Under) Expenditures	679,043	(2,258,929)	97,133	492,658	(366,168)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	1,200,000	0	0	0
Transfers in	50,975	0	0	0	0
Transfers out	(17,009)	(1)	0	0	(325,516)
Total other financing sources (uses)	33,966	1,199,999	0	0	(325,516)
Net Change in Fund Balance	713,009	(1,058,930)	97,133	492,658	(691,684)
Fund Balance, July 1	302,892	1,361,822	1,264,689	772,031	1,463,715
Fund Balance, June 30	$1,015,901	$302,892	$1,361,822	$1,264,689	$772,031

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

Capital Leases

As of June 30, 2015, the Board has one capital lease outstanding with payments due through year ending June 30, 2018, totaling $311,242.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2015, the Board has no operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

Short Term Debt

As of June 30, 2015, the Board has no short term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Long Term Debt

As of June 30, 2015, the Board has no long term bonded debt outstanding.

Debt Limit of the Board

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years (See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations" herein). The following is a summation of the Board's debt limitation as of June 30, 2015:

Average Equalized Real Property Valuation (2013, 2014, and 2015)	$1,072,721,122
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	$42,908,845
Less: Bonds and Notes Authorized and Outstanding	0
Remaining Limitation of Indebtedness	$42,908,845
Percentage of Net School Debt to Average Equalized Valuation	0.00%

Source: Comprehensive Annual Financial Report of the School District

INFORMATION REGARDING THE TOWNSHIP[1]

The following material presents certain economic and demographic information of the Township of Pennsville (the "Township"), in the County of Salem (the "County"), State of New Jersey (the "State").

General Information

Lower Penns Neck Township was formed on July 10, 1721, when Penn's Neck Township was subdivided and Upper Penns Neck Township (now Carneys Point Township) was also formed. The Township was incorporated by an act of the New Jersey Legislature on February 21, 1798, as one of New Jersey's original group of 104 townships. The Township was renamed Pennsville Township based on the results of a referendum held on November 2, 1965.

Form of Government

The Township is governed under a five-member Township Committee is elected directly by the voters at-large in partisan elections to serve three-year terms of office on a staggered basis, with either one or two seats coming up for election each year as part of the November general election in a three-year cycle. At an annual reorganization meeting, the Township Committee selects one of its members to serve as Mayor and another as Deputy Mayor.

Retirement Systems

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

Pension Information[2]

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

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

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

Employment and Unemployment Comparisons

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

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Township				
2015	6,595	6,174	421	6.4%
2014	6,519	6,031	488	7.3%
2013	6,578	5,995	583	8.8%
2012	6,712	6,008	704	10.4%
2011	6,485	5,821	664	10.2%
County				
2015	31,445	29,223	2,222	7.1%
2014	31,188	28,542	2,646	8.2%
2013	31,614	28,328	3,286	10.3%
2012	32,126	28,333	3,793	11.7%
2011	32,376	28,604	3,772	11.6%
State				
2015	4,545,083	4,291,650	253,417	5.6%
2014	4,518,715	4,218,423	300,277	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%

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

Income (as of 2010)

	Township	County	State
Median Household Income	$58,368	$60,768	$71,180
Median Family Income	77,167	73,770	86,779
Per Capita Income	30,521	28,987	35,768

Source: US Bureau of the Census 2010

Population

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

	Township		County		State	
Year	Population	% Change	Population	% Change	Population	% Change
2010	13,409	1.63%	66,083	2.80%	8,791,894	4.49%
2000	13,194	-4.35	64,285	-1.55	8,414,350	8.85
1990	13,794	-0.39	65,294	0.96	7,730,188	4.96
1980	13,848	4.15	64,676	7.18	7,365,001	2.75
1970	13,296	27.64	60,346	2.78	7,168,164	18.15

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

Largest Taxpayers

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

Taxpayers	2016 Assessed Valuation	% of Total Assessed Valuation
The Chemours Company FC LLC	$124,000,000	11.76%
Seigfried (USA), Inc.	16,181,900	1.53%
Calpine New Jersey Generation, LLC	10,932,600	1.04%
Orchard Court Association	8,752,200	0.83%
HP PVL LLC EtAIC/O Metro Prop.	8,500,000	0.81%
Orchard Court Association	6,500,000	0.62%
Pennsville Hotel Corporation	6,000,000	0.57%
Pennsville Acquisition, LLC	4,754,900	0.45%
Penn Norse LLC	3,650,000	0.35%
M&PRELLC	3,606,600	0.34%
Total	$192,878,200	18.30%

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

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2015	$37,567,864	$36,343,073	96.74%
2014	37,063,297	35,947,155	96.99%
2013	37,075,258	35,807,241	96.58%
2012	36,528,046	35,224,087	96.43%
2011	35,619,943	34,616,055	97.18%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2015	$504,273	$959,711	$1,463,984	3.90%
2014	339,176	877,748	1,216,924	3.28%
2013	258,694	932,233	1,190,927	3.21%
2012	173,705	1,100,479	1,274,184	3.49%
2011	137,314	906,302	1,043,616	2.93%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

Year	Amount
2015	$1,105,381
2014	1,105,381
2013	1,105,381
2012	1,126,893
2011	923,593

Source: Annual Audit Reports of the Township

Tax Rates per $100 of Net Valuations Taxable and Allocations

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

Year	Municipal	Local School	County	Total Taxes
2016	$0.698	$1.924	$1.025	$3.647
2015	0.652	1.795	1.033	3.480
2014	0.623	1.727	1.037	3.387
2013	0.596	1.693	1.076	3.365
2012	0.568	1.636	1.064	3.268

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

Valuation of Property

Year	Aggregate Assessed Valuation of Real Property	Aggregate True Value of Real Property	Ratio of Assessed to True Value	Assessed Value of Personal Property	Equalized Valuation
2015	$1,073,613,631	$1,022,002,505	105.05%	$1,539,239	$1,023,541,744
2014	1,092,295,031	1,073,192,210	101.78	1,451,982	1,074,644,192
2013	1,098,487,934	1,122,968,651	97.82	1,813,332	1,124,781,983
2012	1,114,457,847	1,183,201,876	94.19	2,051,985	1,185,253,861
2011	1,147,764,600	1,229,791,707	93.33	2,101,479	1,231,893,186

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

Classification of Ratables

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

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2015	$21,697,997	$719,861,534	$12,054,200	$126,578,900	$163,447,700	$29,973,300	$1,073,613,631
2014	21,943,897	731,985,434	12,288,000	129,111,400	166,993,000	29,973,300	1,092,295,031
2013	22,701,800	733,533,934	12,677,400	132,021,500	166,993,000	30,560,300	1,098,487,934
2012	23,648,600	734,678,147	12,814,900	134,762,900	177,993,000	30,560,300	1,114,457,847
2011	21,590,200	737,951,500	13,270,500	144,211,800	197,993,000	32,747,600	1,147,764,600

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

Financial Operations

The following table summarizes the Township's Current Fund budget for the past three (3) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

Anticipated Revenues	2012	2013	2014	2015	2016
Fund Balance	$1,331,025	$950,000	$1,360,000	$1,460,000	$1,660,000
Miscellaneous Revenues	6,650,503	6,645,285	6,620,219	6,608,967	6,674,416
Receipts from Delinquent Taxes	800,000	833,000	833,000	833,000	833,000
Amount to be Raised by Taxes for Support of Municipal Budget	6,340,995	6,564,511	6,817,766	7,019,000	7,326,461
Total Revenue:	$15,122,523	$14,992,796	$15,630,985	$15,920,968	$16,493,877
Appropriations					
General Appropriations	$11,862,576	$12,123,561	$12,582,050	$12,785,961	$13,069,165
Operations	364,703	517,603	378,336	374,899	582,969
Deferred Charges and Statutory Expenditures	167,200	167,200	167,200	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	500,000	0	300,000	400,000	200,000
Municipal Debt Service	777,413	754,463	771,430	921,744	725,484
Reserve for Uncollected Taxes	1,450,631	1,429,969	1,431,969	1,438,363	1,916,259
Total Appropriations:	$15,122,523	$14,992,796	$15,630,985	$15,920,968	$16,493,877

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

Fund Balance - Current Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2015	$2,353,648	$1,660,000
2014	1,800,977	1,460,000
2013	1,645,685	1,360,000
2012	1,058,082	950,000
2011	1,497,400	1,331,025

Source: Annual Audit Reports of the Township

Water Utility Operating Fund

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

Fund Balance - Water Utility Operating Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2015	$1,829,065	$308,358
2014	1,272,347	150,000
2013	860,016	252,309
2012	794,366	247,238
2011	650,118	145,362

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2015

General Purpose Debt	
Serial Bonds	$0
Bond Anticipation Notes	4,633,947
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	587,712
Total:	$5,221,659
Local School District Debt	
Serial Bonds	$20,900,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$20,900,000
Self-Liquidating Debt	
Serial Bonds	$0
Bond Anticipation Notes	982,110
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	1,703,054
Total:	$2,685,164
TOTAL GROSS DEBT	**$28,806,823**
Less: Statutory Deductions	
General Purpose Debt	$0
Local School District Debt	20,900,000
Self-Liquidating Debt	2,685,164
Total:	$23,585,164
TOTAL NET DEBT	**$5,221,659**

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2015)[3]

Name of Related Entity	Related Entity Debt Outstanding	Township Percentage	Township Share
Local School District	$20,900,000	100.00%	$20,900,000
County	40,394,432	20.32%	8,208,517
Net Indirect Debt			$29,108,517
Net Direct Debt			5,221,659
Total Net Direct and Indirect Debt			**$34,330,175**

Debt Limit

Average Equalized Valuation Basis (2013, 2014, 2015)	$1,072,721,122
Permitted Debt Limitation (3 1/2%)	37,545,239
Less: Net Debt	5,221,659
Remaining Borrowing Power	$32,323,580
Percentage of Net Debt to Average Equalized Valuation	0.49%
Gross Debt Per Capita based on 2010 population of 13,409	$2,148
Net Debt Per Capita based on 2010 population of 13,409	$389

Source: Annual Debt Statement of the Township

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

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APPENDIX B

PENNSVILLE BOARD OF EDUCATION FINANCIAL STATEMENTS

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NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 24, 2015

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Pennsville Township School District
County of Salem
Pennsville, NJ 08070

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 Board of Education of the Pennsville Township School District in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pennsville Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statement presentation.

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, business-type activities, each major fund, and the aggregate remaining fund information of the Pennsville Township School District Board of Education in the County of Salem, State of New Jersey, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Management Discussion and Analysis and Budgetary Comparison Information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be 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 for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennsville Township School District Board of Education's, basic financial statements as a whole. The introductory section, combining fund and individual non-major fund financial statements, long-term debt schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***; and New Jersey OMB's Circular 04-04 and/or 15-08, ***Single Audit Policy For Recipients of Federal Grants, State Grants and State Aid***, and are not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedure applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the accompanying combining and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued a report dated November 24, 2015 on our consideration of the Pennsville Township School District Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Governments Auditing Standard*** and should be considered in assessing the results of our audit.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2015

(UNAUDITED)

This section of the Pennsville Township School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Certain comparative information between the current year (2014-15) and the prior year (2013-14) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2014-15 fiscal year include the following:

- Net position for governmental and business-type activities were ($1,285,248) and $39,310, respectively.
- Net position for governmental activities decreased by $1,568,952 and net position for business-type activities decreased by ($11,789) from July 1, 2014 to June 30, 2015.
- The general fund, fund balance as of June 30, 2015 was $1,015,901, a increase of $713,009 when compared with the beginning balance as of July 1, 2014 of $302,892.

Overview of the Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor's Report, Required Supplementary Information which includes the Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The basic financial statements include two kinds of statements that present different views of the District.

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Table 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table 1
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	Statement 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 Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is a measure of the District's financial health or position.

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

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

- *Governmental activities* - Most of the District's basic services are included here, such as regular and special education, transportation, administration, and maintenance. Aid from the State of New Jersey and from the Federal government along with local property taxes finances most of these activities.
- *Business-type activities* - The District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Program is included here.

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's net position for the fiscal years ended June 30, 2014 and 2015 is reflected in Table 2.

Table 2
Net Position

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets:						
Current and Other Assets	$ 1,479,304	$ 13,187	$ 1,492,491	$ 2,924,501	$ 49,776	$ 2,974,277
Capital Assets, net	5,497,731	39,310	5,537,041	4,191,024	38,498	4,229,522
Total Assets	6,977,035	52,497	7,029,532	7,115,525	88,274	7,203,799
Deferred Outflows of Resources	433,318			227,832		
Liabilities:						
Current and Other Liabilities	5,836,288	13,187	5,849,475	1,279,623	37,175	1,316,798
Long Term Liabilities:						
Due Within One Year	569,314		569,314	500,540		500,540
Due in more than One Year	1,952,236		1,952,236	2,638,442		2,638,442
Total Liabilities	8,357,838	13,187	8,371,025	4,418,605	37,175	4,455,780
Deferred Inflows of Resources	337,763					
Net Position						
Net Investment in Capital Assets	4,202,433	39,310	4,241,743	2,394,049	38,498	2,432,547
Restricted for:						
Capital Projects				1,094,702		1,094,702
Permanent Endowment:						
Nonexpendable	88,706		88,706	88,718		88,718
Other Purposes	753,997		753,997	903,672		903,672
Unrestricted (Deficit)	(6,330,384)		(6,330,384)	(7,335,341)	12,601	(7,322,740)
Total Net Position (Deficit)	$ (1,285,248)	$ 39,310	$ (1,245,938)	$ (2,854,200)	$ 51,099	$ (2,803,101)

The District's financial position for governmental and business-type activities is the product of the following factors:

- Program revenues were $4,130,623 (operating grants and contributions - $3,170,510 and charges for services $960,113).
- General revenues, special items, extraordinary items, and transfers amounted to $28,235,033.
- Net expenditures were $26,694,879.
- Total District revenues and beginning position are adjusted by net adjusted expenditures resulting in a calculation of net position of ($1,245,938) as of June 30, 2015.
- Total revenues of $28,252,042 plus beginning net position of ($2,803,101) less net expenditures $26,694,879 equals net position of ($1,245,938).

Change in Net Position

Net position for governmental type activities increased and business-type activities increased from June 30, 2014 to June 30, 2015 as reflected in Table 3.

Table 3
Changes in Net Position

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Program Revenues:						
Charges for Services	$ 614,946	$ 345,167	$ 960,113	$ 592,269	$ 355,732	$ 948,001
Operating Grants and Contrib	2,879,793	290,717	3,170,510	3,408,167	268,477	3,676,644
General Revenues:						
Property Taxes	18,968,608		18,968,608	18,596,675		18,596,675
Grants and Entitlements	8,917,099		8,917,099	8,708,559		8,708,559
Debt Service				206,967		206,967
Other	349,326	17,009	366,335	(118,247)		(118,247)
Total Revenues	$ 31,729,772	$ 652,893	$ 32,382,665	$ 31,394,390	$ 624,209	$ 32,018,599
Program Expenses						
Instruction	$ 12,728,384	$ -	$ 12,728,384	$ 12,190,005	$ -	$ 12,190,005
Tuition	930,820		930,820	1,608,457		1,608,457
Student and Instruction Related Serv	3,024,580		3,024,580	3,183,312		3,183,312
General Administration	649,670		649,670	627,813		627,813
School Administrative Serv	1,403,824		1,403,824	1,361,901		1,361,901
Central Services	389,746		389,746	374,769		374,769
Admin Information Tech	218,615		218,615	249,148		249,148
Plant Operations and Maint	2,277,076		2,277,076	3,112,268		3,112,268
Pupil Transportation	1,420,078		1,420,078	1,411,096		1,411,096
Unallocated Benefits	6,753,509		6,753,509	7,292,506		7,292,506
Debt Service	10,307		10,307	513		513
Unallocated Benefits	354,211		354,211	308,453		308,453
Enterprise Operation		664,682	664,682		637,617	637,617
Total Expenses	30,160,820	664,682	30,825,502	31,720,241	637,617	32,357,858
Increase/(Decrease) in Net Position	$ 1,568,952	$ (11,789)	$ 1,557,163	$ (325,851)	$ (13,408)	$ (339,259)

Total revenues for the District were $32,382,665. Government funding was the source of 37.32% of the District's revenues. This includes the State of New Jersey and Federal sources.

Property taxes of $18,968,608 provided 58.57% of revenues.

Other miscellaneous revenues of $366,335 represent 1.13% of the District revenues. Miscellaneous revenue was primarily provided from interest, tuition, and transportation fees.

The District's expenses for governmental activities are predominantly related to instruction and support services. Instruction together with tuition totaled $13,659,204 (44.31%) of total expenditures. Student support services including transportation, exclusive of administration, totaled $4,444,658 (14.41%) of total expenditures. Total revenues exceeded expenditures for governmental activities, increasing net position by $1,568,952 from the beginning balance at July 1,2014.

Activity Descriptions

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Tuition expenses include the cost to the District to send pupils with special needs living within the District to private schools and/or schools outside the District area.

Student and instruction related services include the activities designed to assess and improve the well being of students and to supplement the teaching process.

School administrative and general and business administrative services include expenses associated with establishing and administering policy for the District including financial supervision.

Plant operation and maintenance of plant activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from student activities as provided by State law and Board Policy.

Unallocated benefits includes the cost of benefits for the District staff for social security, retirement contributions, worker's compensation, health benefits and other employee benefits.

Interest on long-term debt involve the transactions associated with the payment of interest and other related charges to the debt of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in the governmental funds which are accounted for by using the modified accrual basis of accounting. As the District completed the year, its governmental funds reported a combined fund balance of $1,104,620, as compared to$1,485,185 at June 30, 2014.

All governmental funds had total revenues of $31,797,568 and total expenditures of $32,169,662.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.The most significant budgetedfund is the General Fund.

The General Fund includes the primary operations of the District in providing educational services to students from K through grade 12 including pupil transportation activities and capital outlay projects.

Table 4 presents a summary of Governmental Fund revenues. The summary reflects the dollar and percent increase (decrease) from the prior year.

Table 4
Comparison of Revenues

	2015	2014	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Local Sources				
Local Tax Levy	$ 18,968,608	$ 18,803,642	$ 164,966	0.88%
Tuition	127,810	87,733	40,077	45.68%
Transportation	58,571	55,705	2,866	5.14%
Interest Earned	3,679		3,679	100.00%
Miscellaneous	176,275	31,320	144,955	462.82%
Government Sources:				
State Sources	11,555,209	11,167,791	387,418	3.47%
Federal Sources	907,416	948,935	(41,519)	-4.38%
Total	$ 31,797,568	$ 31,095,126	$ 702,442	2.26%

One of the primary sources of funding for the District is received from local property taxes and accounted for 59.65% of total revenues. State aid accounted for 36.33% of total revenues.

Total governmental fund revenues increased by $702,442, or 2.26% from the previous year. The major components of this increase was the increase in state aid, miscellaneous revenues, and tuition. Property taxes also increased by $164,966 over the prior fiscal year.

Table 5 presents a summary of governmental fund expenditures. The summary reflects the dollar and percent increases (decreases) from the prior year.

Table 5
Comparison of Expenditures

	2015	2014	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Instruction				
Regular	$ 8,786,497	$ 8,250,988	$ 535,509	6.49%
Special Education	2,601,154	2,666,345	(65,191)	-2.44%
Other Special Instruction	306,440	222,500	83,940	37.73%
Other Instruction	481,560	467,418	14,142	3.03%
Support Services:				
Tuition	930,820	1,608,457	(677,637)	-42.13%
Student and Instruction Rel Serv	3,024,580	3,183,312	(158,732)	-4.99%
General Administration	649,670	627,813	21,857	3.48%
School Administration	1,403,824	1,361,901	41,923	3.08%
Central Services	389,746	374,769	14,977	4.00%
Administrative Information Tech	218,614	249,148	(30,534)	-12.26%
Plant Operations and Maint	2,576,717	3,112,268	(535,551)	-17.21%
Pupil Transportation	1,420,078	1,411,096	8,982	0.64%
Employee Benefits	4,879,421	4,902,683	(23,262)	-0.47%
TPAF and FICA Reimb	2,635,710	2,389,823	245,887	10.29%
Capital Outlay	1,864,831	2,706,628	(841,797)	-31.10%
Debt Service		277,151	(277,151)	-100.00%
Total	$ 32,169,662	$ 33,812,300	$ (1,642,638)	-4.86%

Total governmental fund expenditures decreased $1,642,638 or 4.86% from the previous year. This decrease was primarily due to the decrease of capital outlay expenditures in the current year.

The District values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during the school year.

During the course of fiscal year 2015, the District modified the general fund budget as needed to ensure no line item was projected to be over-expended.

FOOD SERVICE ENTERPRISE FUND

The Food Service Fund had net position of $39,310 as of June 30, 2015. This reflects a decrease of $11,789 from June 30, 2014. This decrease is largely due to a decrease in revenue from the sale of lunches.

INTERNAL SERVICE FUNDS

The Internal Services Fund had net position of $258,225 as of June 30, 2015. This reflects a increase of $39,673 from June 30, 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets are individual items purchased at a cost exceeding $2,000, have an extended useful life of one year or more and maintain their identity and structure when placed into service.

At the end of 2015, the District had capital assets allocated to governmental activities with a book value of $5,497,731. This consists of a broad range of capital assets, including land, site and site improvements, and machinery and equipment. Total depreciation expense for the year was $354,211.

Table 6 summarizes capital assets.

Table 6
Capital Assets (Net of Depreciation)
As of June 30, 2015 and 2014

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land, Site and Site Improve	$ 1,294,620	$	$ 1,294,620	$ 1,387,682	$	$ 1,387,682
Building and Improvements	2,423,536		2,423,536	2,262,524		2,262,524
Machinery and Equipment	700,641	39,310	739,951	513,022	38,498	551,520
Construction in Progress	1,078,934		1,078,934	27,796		27,796
Total	$ 5,497,731	$ 39,310	$ 5,537,041	$ 4,191,024	$ 38,498	$ 4,229,522

Long-Term Obligations

At June 30, 2015, the District's outstanding debt was $2,521,550 and included $1,225,115 in compensated absences and $1,296,435 in capital leases.

This liability for compensated absences represents the District's contractual obligation to compensate employees for accumulated unused sick leave entitlements upon retirement.

Table 7 summarizes long-term obligations.

Table 7
Long-Term Obligations
As of June 30, 2015 and 2014

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Obligations Under Capital Lease	$1,296,435		$ 1,296,435	$ 1,796,975		$ 1,796,975
Compensated Absenses	1,225,115		1,225,115	1,342,007		1,342,007
Total	$2,521,550		$ 2,521,550	$ 3,138,982		$ 3,138,982

For The Future

A major initiative for the Pennsville Township School District is the passing of a bond referendum, which will allow the district to make much needed renovations to its aging facilities. The District has not had a successful bond referendum in over 20 years and its facilities are overdue for improvements.

The Pennsville Township School District is also focusing on continuing our shared services efforts with the Salem Community College, Quinton School District, and Pennsville Township. The District hopes to continually increase its revenue through these efforts, to have the ability to maintain our current academic programs during this tough economic period.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Richard Davidson, School Business Administrator at Pennsville Township School District, 30 Church Street, Pennsville, NJ 08070.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

EXHIBIT A-1

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 796,582	$ (30,072)	$ 766,510
Receivables, Net	681,585	17,922	699,507
Inventory		25,337	25,337
Restricted Assets:			
Capital Reserve Account- Cash	1,137		1,137
Depreciable Capital Assets, Net	5,497,731	39,310	5,537,041
Total Assets	6,977,035	52,497	7,029,532
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Pension Outflows	433,318		433,318
	433,318		433,318
LIABILITIES:			
Accounts Payable	78,334		78,334
Accrued Interest Payable	7,293		7,293
Payable to State Government	54,673		54,673
Net Pension Liability	5,667,678		5,667,678
Unearned Revenue	28,310	13,187	41,497
Noncurrent Liabilities (Note 7):			
Due Within One Year	569,314		569,314
Due Beyond One Year	1,952,236		1,952,236
Total Liabilities	8,357,838	13,187	8,371,025
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pension Inflows	337,763		337,763
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	4,202,433	39,310	4,241,743
Restricted for:			
Permanent Endowment- Nonexpendable	88,706		88,706
Other Purposes	753,997		753,997
Unrestricted (Deficit)	(6,330,384)		(6,330,384)
Total Net Position (Deficit)	$ (1,285,248)	$ 39,310	$ (1,245,938)

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

EXHIBIT A-2

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:						
Instruction:						
Regular	$ 8,786,497	$	$ 800,008	$ (7,986,489)	$	$ (7,986,489)
Special Education	2,601,154			(2,601,154)		(2,601,154)
Other Special Instruction	306,440	614,946		308,506		308,506
Other Instruction	1,034,293			(1,034,293)		(1,034,293)
Support Services:						
Tuition	930,820			(930,820)		(930,820)
Student & Instruction Related Services	3,024,580		63,803	(2,960,777)		(2,960,777)
General Administrative Services	649,670			(649,670)		(649,670)
School Administrative Services	1,403,824			(1,403,824)		(1,403,824)
Central Services	389,746			(389,746)		(389,746)
Administrative Information Technology	218,615			(218,615)		(218,615)
Plant Operations and Maintenance	2,277,076			(2,277,076)		(2,277,076)
Pupil Transportation	1,420,078			(1,420,078)		(1,420,078)
Employee Benefits	6,753,509		2,015,982	(4,737,527)		(4,737,527)
Interest on Long-Term Debt	10,307			(10,307)		(10,307)
Unallocated Depreciation	354,211			(354,211)		(354,211)
Total Governmental Activities	30,160,820	614,946	2,879,793	(26,666,081)		(26,666,081)
Business-Type Activities:						
Food Service	664,682	345,167	290,717		(28,798)	(28,798)
Total Business-Type Activities	664,682	345,167	290,717		(28,798)	(28,798)
Total Primary Government	$ 30,825,502	$ 960,113	$ 3,170,510	(26,666,081)	(28,798)	(26,694,879)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				18,968,608		18,968,608
Federal and State Aid				8,917,099		8,917,099
Tuition				127,810		127,810
Transportation fees from Individuals				58,571		58,571
Investment Earnings				3,679		3,679
Miscellaneous Income				176,275		176,275
Transfer				(17,009)	17,009	
				28,235,033	17,009	28,252,042
Change in Net Position				1,568,952	(11,789)	1,557,163
Net Position — Beginning of Year (Restated)				(2,854,200)	51,099	(2,803,101)
Net Position — End of Year (Deficit)				$ (1,285,248)	$ 39,310	$ (1,245,938)

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

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund.

GOVERNMENTAL FUNDS

EXHIBIT B-1

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$ 428,674	$ 165,641	$ 61,487	$ 88,719	$ 744,521
Interfund Accounts Receivable	552,985				552,985
State Aid Receivable	75,931	20,000			95,931
Other	37,888				37,888
Federal Receivable		394,647			394,647
Capital Reserve Cash	1,137				1,137
Total Assets	$ 1,096,615	$ 580,288	$ 61,487	$ 88,719	$ 1,827,109
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 38,505	$ 39,829	$	$	$ 78,334
Due to Other Funds	17,009	482,676	61,487		561,172
Payable to State Government		54,673			54,673
Unearned Revenue	25,200	3,110			28,310
Total Liabilities	80,714	580,288	61,487		722,489
Fund Balances:					
Non-expendable:					
Permanent Fund Principal				88,706	88,706
Restricted:					
Capital Reserve	1,137				1,137
Assigned:					
Capital Reserve:					
Designated for Subsequent Year's Expenditures	753,984				753,984
Designated for Subsequent Year's Expenditures	650,000				650,000
Other Purposes				13	13
Unassigned (Deficit) - General Fund	(389,220)				(389,220)
Total Fund Balances	1,015,901			88,719	1,104,620
Total Liabilities and Fund Balances	$ 1,096,615	$ 580,288	$ 61,487	$ 88,719	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is $13,893,634 and the accumulated depreciation is $8,395,903 (See Note 5).	5,497,731
Deferred Outflow of Resources - Deferred Pension Contribution.	433,318
Deferred Inflows of Resources - Pension Actuarial Gains.	(337,763)
Long Term Net Pension Liability	(5,667,678)
Accrued interest is not payable within the current year and therefore, not reported in the funds.	(7,293)
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. (see Note 6).	(2,521,550)
Internal Service fund added in since the academic activities with other LEAs are governmental in nature	213,367
Net Position of governmental activities (Deficit)	$ (1,285,248)

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

EXHIBIT B-2

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	$ 18,968,608	$	$	$	$ 18,968,608
Tuition Charges	127,810				127,810
Transportation Charges	58,571				58,571
Interest Earned	3,679				3,679
Miscellaneous	176,274			1	176,275
Total Local Sources	19,334,942			1	19,334,943
State Sources	11,487,409	67,800			11,555,209
Federal Sources	65,400	842,016			907,416
Total Revenues	30,887,751	909,816		1	31,797,568
EXPENDITURES:					
Instruction					
Regular Instruction	7,986,489	800,008			8,786,497
Special Education Instruction	2,601,154				2,601,154
Other Special Instruction	306,440				306,440
Other Instruction	481,560				481,560
Support Services and Undistributed Costs:					
Tuition	930,820				930,820
Student and Instruction Related Services	2,960,777	63,803			3,024,580
General Administrative Services	649,670				649,670
School Administrative Services	1,403,824				1,403,824
Central Services	389,746				389,746
Administrative Information Technology	218,614				218,614
Plant Operations and Maintenance	2,576,717				2,576,717
Pupil Transportation	1,420,078				1,420,078
Employee Benefits	7,469,126	46,005			7,515,131
Capital Outlay	813,693		1,051,138		1,864,831
Total Expenditures	30,208,708	909,816	1,051,138		32,169,662
Excess (Deficiency) of Revenues over Expenditures	679,043		(1,051,138)	1	(372,094)
OTHER FINANCING SOURCES (USES):					
Transfers to Food Service Fund	(17,009)				(17,009)
Transfers from Internal Service Fund	8,538				8,538
Transfers from Capital Projects Fund	42,437		(42,437)		
Total Other Financing Sources and Uses	33,966		(42,437)		(8,471)
Net Changes in Fund Balances	713,009		(1,093,575)	1	(380,565)
Fund Balance — Beginning of Year	302,892		1,093,575	88,718	1,485,185
Fund Balance — End of Year	$ 1,015,901	$	$	$ 88,719	$ 1,104,620

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

EXHIBIT B-3

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		$ (380,565)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:		
Capital Outlays are reported in Governmental Funds as Expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as Depreciation Expense. This is the amount by which Capital Outlays exceeded depreciation in the period.		
Depreciation Expense	$ (340,209)	
Capital Outlays	1,660,918	
		1,320,709
Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and differed inflows/outflows related to pension changed during the period.		(21,003)
Repayment of Bond Principal or Capital Lease Principal is an Expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the Statement of Activities.		
Capital Lease Principal		500,540
In the Statement of Activities, interest on long-term debt is accrued, regardless of when it is due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		(7,293)
Expenditures, net of charges, for services in the Statement of Activities that represent Internal Service Fund activity are not reported as expenditures in the Governmental Funds		39,673
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.		116,891
Change in Net Position of Governmental Activities		$ 1,568,952

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

EXHIBIT B-4

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities	Governmental Activities	
	Food Service	Internal Service Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ (47,081)	$ 69,070	$ 21,989
Accounts Receivable	17,922	152,835	170,757
Due from General Fund	17,009		17,009
Inventories	25,337		25,337
Total Current Assets	13,187	221,905	235,092
Noncurrent Assets:			
Furniture, Machinery & Equipment	414,879	193,479	608,358
Less: Accumulated Depreciation	(375,569)	(148,621)	(524,190)
Total Noncurrent Assets	39,310	44,858	84,168
Total Assets	52,497	266,763	319,260
LIABILITIES :			
Current Liabilities:			
Interfund Payable		8,538	8,538
Unearned Revenue	13,187		13,187
Total Current Liabilities	13,187	8,538	21,725
NET POSITION:			
Net Investment in Capital Assets	39,310	44,858	84,168
Unrestricted		213,367	213,367
Total Net Position	$ 39,310	$ 258,225	$ 297,535

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

PROPRIETARY FUNDS

EXHIBIT B-5

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities- Food Service	Governmental Activities Internal Service Fund	Totals
OPERATING REVENUES:			
Charges for Services:			
Daily Sales - Reimbursable Programs	$ 174,263	$	$ 174,263
Daily Sales - Non-Reimbursable Programs	12,149		12,149
Special Functions	149,072		149,072
Program Fees	9,683	614,946	624,629
Total Operating Revenues	345,167	614,946	960,113
OPERATING EXPENSES:			
Salaries and Benefits	323,201	498,175	821,376
Supplies and Materials	23,128	23,966	47,094
Cost of Sales	265,778		265,778
Other Purchased Services		30,592	30,592
Depreciation	6,910	14,002	20,912
Miscellaneous	45,665		45,665
Total Operating Expenses	664,682	566,735	1,231,417
Operating Income (Loss)	(319,515)	48,211	(271,304)
NON-OPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	6,308		6,308
Federal Sources:			
National School Breakfast Program	29,367		29,367
National School Lunch Program	218,217		218,217
Food Distribution Program	36,825		36,825
Transfer to General Fund	17,009	(8,538)	8,471
Total Non-Operating Revenues (Expenses)	307,726	(8,538)	299,188
Net Change in Position	(11,789)	39,673	27,884
Net Position — Beginning of Year	51,099	218,552	269,651
Net Position — Ending of Year	$ 39,310	$ 258,225	$ 297,535

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

EXHIBIT B-6

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities- Food Service	Governmental Activities Internal Service Fund	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 345,167	$ 614,946	$ 960,113
Payments to Employees and Employee Benefits	(323,201)	(498,175)	(821,376)
Payments to Suppliers	(333,648)	(199,582)	(533,230)
Net Cash Provided by (used for) Operating Activities	(311,682)	(82,811)	(394,493)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
State Sources	6,308		6,308
Federal Sources	247,584		247,584
Transfer to General Fund		(8,538)	(8,538)
Net Cash Provided by (used for) Non-Capital Financing Activities	253,892	(8,538)	253,892
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of Capital Assets	(7,722)		(7,722)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(7,722)		(7,722)
Net Increase (Decrease) in Cash and Cash Equivalents	(65,512)	(91,349)	(156,861)
Balances — Beginning of Year	18,431	160,419	178,850
Balances — End of Year	$ (47,081)	$ 69,070	$ 21,989
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	$ (319,515)	$ 48,211	$ (271,304)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities			
Depreciation and Net Amortization	6,910	14,002	20,912
Food Distribution Program	36,825		36,825
(Increase) Decrease in Accounts Receivable	(254)	(149,976)	(150,230)
(Increase) Decrease in Inventories	(11,660)		(11,660)
Increase (Decrease) in Accounts Payable	(37,175)		(37,175)
Increase (Decrease) in Due to General		4,952	4,952
Increase (Decrease) in Unearned Revenue	13,187		13,187
Total Adjustments	7,833	(131,022)	(123,189)
Net Cash Provided by (used for) Operating Activities	$ (311,682)	$ (82,811)	$ (394,493)

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

FIDUCIARY FUNDS

EXHIBIT B-7

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

		Agency Funds	
	Unemployment Compensation Trust	Student Activity	Payroll
ASSETS:			
Cash and Cash Equivalents	$ 22,066	$ 175,742	$ 201,738
Total Assets	$ 22,066	$ 175,742	$ 201,738
LIABILITIES:			
Payroll Deductions and Withholdings			6,129
Due to General Fund			284
Payable to Student Groups		175,742	
Flexible Spending Reserve			17,022
Summer Payment Salaries and Wages			178,303
Total Liabilities		$ 175,742	$ 201,738
NET POSITION:			
Held in Trust for:			
Unemployment Claims and Other Purposes	$ 22,066		

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

EXHIBIT B-8

PENNSVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Total
OPERATING REVENUES:		
Deduction from employees salaries	$ 38,225	$ 38,225
Interest earned	23	23
Total Operating revenues	38,248	38,248
OPERATING EXPENSES:		
Quarterly contributions reports	34,364	34,364
Unemployment claims		
Total operating expenses	34,364	34,364
Operating income (loss)	3,884	3,884
Net Position — Beginning of Year	18,182	18,182
Net Position — End of Year	$ 22,066	$ 22,066

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity/Component Units:

The Pennsville Township School District is a Type II district located in the County of Salem, State of New Jersey. As a Type II district, the District functions independently through a Board of Education. The Board is comprised of 9 members elected to three-year terms. The purpose of the District is to educate students in grades K-12. The District had an approximate enrollment at June 30, 2015 of 1,856 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

GASB Statement No. 14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. The District has determined that there are no component units.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn is divided into separate "fund types" as follows:

Governmental Funds

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings, and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenue from state and federal government (other than major capital projects, debt service, or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction, and improvement programs.

Permanent Fund - The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's program.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of net income, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Enterprise Funds - The enterprise funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District's enterprise funds are comprised of the food service fund.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food service fund:
Machinery and equipment - 15 years

Internal Service Fund - The Internal Service Fund has been established to account for the county wide programs administrator fees for the school to careers and school to work programs that are funded by every high school district that participates in the county.

Fiduciary Funds

Trust and Agency Funds - The trust and agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent. Expendable trust funds include the unemployment compensation insurance fund.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

D. Measurement Focus

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus (Continued)

For the fund financial statements, all governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position; the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

For fund financial statements, all governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds, like the government-wide financial statements, use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and the presentation of expenses versus expenditures.

Recognition of Revenue - Revenue resulting from exchange transactions, which are defined as transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. For the governmental fund financial statements, which are prepared on the modified accrual basis, however, such revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days after fiscal year end.

Revenue resulting from non-exchange transactions, which are defined as transactions in which the District receives value without directly giving equal value in return, includes Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) taxes are susceptible to accrual. As under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available.

The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

With the exception of the restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Restricted formula aids, if any, are recorded in the special revenue fund in accordance with The Audit Program promulgated by the New Jersey Department of Education, which requires that these grants be realized in an amount equal to program expenditures.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: tuition, grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as unearned revenue. The measurement focus of governmental fund financial statements is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m) 1. Transfers of appropriations may be made by school board resolution at anytime during the fiscal year. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

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

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets/Budgetary Control (Continued)

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the revenue recognition policy for the one or more June state aid payments.

G. Encumbrances

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

H. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased at stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Cash, Cash Equivalents, and Investments (Continued)

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks), and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

I. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

J. Tuition Receivable

Tuition charges for the fiscal years 2014-15 and 2013-14 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

K. Inventories

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Inventory consists of donated food, purchased food and supplies. As of June 30, 2015, Inventory in the Food Service Enterprise Fund consisted of the following:

Purchased Food	$	8,439
Commodity Food		13,187
Supplies		3,711
Total	$	25,337

The value of federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, as revised) is the difference between market value and cost of the commodities at the date of purchase and is included as a non-operating and Unearned Revenue in the financial statements.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Prepaid Expense

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (non-allocation method). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

M. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods and services rendered to/from a particular fund in the District and that are due within one year. These amounts are eliminated in the government-wide financial statements, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and/or interfunds payable on the statement of net position.

N. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business- type activities column of the government-wide statement of net position and the proprietary fund statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The District maintains a capitalization threshold of $2,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Land and improvements - 10-20 years (governmental activities)
Buildings and improvements - 20-50 years (governmental activities)
Machinery and equipment - 5-15 years (governmental and business-type activities)

O. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2015, the amount earned by these employees but not disbursed was $178,303.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are recorded for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In the proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Q. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

R. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

S. Net Position

Net position represents the difference between assets and liabilities. Net investment invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Fund Balance

The District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District's classifications, and policies for determining such classifications, are as follows:

Nonspendable

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The permanent fund represents the nonspendable funds of the District.

Restricted

The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, which, for the District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned

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

Unassigned

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

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Fund Balance (Continued)

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

U. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are tuition for the school age child care program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

V. Interfund Activity

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

W. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

X. Recent Accounting Pronouncements Not Yet Effective

The district adopted the following GASB statements:

- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25,* will be effective beginning with the year ending June 30, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision- useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 25, *Financial reporting for Deferred Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No.50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The adoption of GASB 67, however, does not have any impact on the School District's financial statements.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

X. Recent Accounting Pronouncements Not Yet Effective (Continued)

- GASB 68, *Accounting and Financial reporting for Pensions,* will be effective beginning with the year ending June 30, 2014. 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 hat is provided by other state entities. This Statement replaces the requirements of Statement No.27, *Accounting for Pension Disclosures, 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. The adoption of GASB 68, will impact the financial statements of the School District's.

- In November 2013, the GASB issued Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. GASBS 71 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. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This Statement is effective for fiscal years beginning after June 15, 2014. The adoption of GASB 71, will impact the financial statements of the School District's.

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

- GASB 69, *Government Combinations and disposals of Government Operations*, is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The District is currently evaluating the impact of the adoption of this Statement on the School District's financial statements, although no impact is expected.

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits- Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA.

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

As of June 30, 2015, the District's bank balance of $1,969,316 was insured or collateralized as follows:

Insurance	$ 250,000
Uninsured and collateralized with securities held by pledging financial institutions	1,719,316
Total	$ 1,969,316

As of June 30, 2015, cash and cash equivalents in the fund financial statements of the District consisted of the following:

	Cash and Equivalents
Checking accounts	$ 1,167,193
Savings accounts	0
Total	$ 1,167,193

NOTE 3 - CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board of Education prior to 2001 and included in the capital outlay budget, which was certified for taxes and for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District 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 (July Ito June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the excess approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.l(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance July 1, 2014	$ 1,127
Interst Earnings - Budget	10
Ending Balance June 30, 2015	$ 1,137

The June 30, 2015 LRFP balance of local support costs of uncompleted capital projects is $83,672.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of the fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Internal Service Fund	Enterprise Fund	Total
State	$ 75,931	$ 20,000	$	$ 404	$ 96,335
Federal		394,647		17,518	412,165
Other			152,835		152,835
Total	$ 75,931	$ 414,647	$ 152,835	$ 17,922	$ 661,335

NOTE 5- CAPITAL ASSETS

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

	Balance as of June 30, 2014	Additions	Disposals	Adjustments	Balance as of June 30, 2015
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	$ -	$ -	$ -	$ -	$ -
Construction in Progress	27,796	1,051,138			1,078,934
Total Capital Assets, not being Depreciated	$ 27,796	$ 1,051,138			$ 1,078,934
Capital Assets, being Depreciated					
Site and Site Improvements	1,877,638				1,877,638
Buildings and Building Improvement	8,485,447	304,402			8,789,849
Machinery and Equipment	1,841,835	305,378			2,147,213
Total at Historical Cost	12,204,920	609,780			12,814,700
Less Accumulated Depreciation:					
Site and Site Improvement	(489,956)	(93,062)			(583,018)
Buildings and Building Improvements	(6,222,923)	(143,390)			(6,366,313)
Machinery and Equipment	(1,328,813)	(117,759)			(1,446,572)
Total Accumulated Depreciation	(8,041,692)	(354,211)			(8,395,903)
Total Capital Assets Being Depreciated, net	4,163,228	255,569			4,418,797
Governmental Activities Capital Assets, net	$ 4,191,024	$ 1,306,707	$ -	$ -	$ 5,497,731
Business-Type Activities:					
Capital Assets, being Depreciated:					
Machinery and Equipment	$ 443,157	$ 7,722	$ (36,000)	$ -	$ 414,879
Less Accumulated Depreciation	(404,659)	(6,910)	36,000		(375,569)
Business-Type Activities Capital Assets, net	$ 38,498	$ (6,910)	$ -	$ -	$ 39,310

Depreciation expense in the amount of $354,211 was charged to governmental functions as follows:

Unallocated	$ 354,211
Total Depreciation Expense	$ 354,211

NOTE 6 - GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the general long-term debt account group:

	Principal Outstanding June 30, 2014	Additions	Reductions	Principal Outstanding June 30, 2015	Amounts Due Within One Year
Obligation under Capital Lease	$ 1,796,975	$	$ 500,540	$ 1,296,435	$ 506,234
Compensated Absenses Payable	1,342,007		116,892	1,225,115	63,080
Total	$ 3,138,982	$	$ 617,432	$ 2,521,550	$ 569,314

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

On August 18, 1993, the District issued $3,023,759 in general obligation bonds at 5.288% for a small project. The final maturity of the bonds was made in 2013. Also on August 18, 1993, the District issued $1,007,920 in general obligation bonds at 1.5% for a safe program. The final maturity of the bonds was also in 2013.

B. As of June 30, 2015, the District had no authorized but not issued bonds.

C. Capital Leases

At June 30, 2015, the District had capital lease obligations as follows:

Lease #1 - Acquisition of computer smart boards, LCD projectors, and an energy efficient boiler in the amount of $581,550. The lease is for a term of four years and bears interest at 2.47%.

Lease #2 - Purchase of science lab equipment and renovation of the high school science lab in the amount of $750,764. The lease is for a term of four years and bears interest at 2.38%.

Lease #3 - Various improvements to the Pennsville High School in the amount of $1,200,000. The lease is for a term of five years and bears interest at 1.61%.

The following is a schedule of the minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2015.

Year Ending June 30,	Principal	Interest	Total
2016	$ 506,234	$ 21,017	$ 527,251
2017	300,465	11,532	311,997
2018	242,905	6,911	249,816
2019	246,831	2,984	249,815
	$ 1,296,435	$ 42,444	$ 1,338,879

NOTE 6 - GENERAL LONG-TERM DEBT (Continued)

D. Temporary Notes Payable

As of June 30, 2015, the District had no temporary notes payable.

E. Interest Expense

No interest expense was capitalized nor paid by the debt service fund during the fiscal year ending June 30, 2015.

F. Compensated Absences

Compensated Absences will be paid from the fund from which the employees' salaries are paid.

NOTE 7 - PENSION PLANS

Description of Plans

Substantially all of the District's employees participate in one of the following pension plans which have been established by state statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), or the Defined Contribution Retirement Program (DCRP). The TPAF and PERS are defined benefit pension plans while the DCRP is a defined contribution pension plan. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, Post Office Box 295, Trenton, New Jersey 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July I, 2007, however, in accordance with Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

NOTE 7 - PENSION PLANS (Continued)

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the District and all other related non-contributing employers. No normal or accrued liability contribution by the District has been required over the several preceding fiscal years.

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

For the year ended June 30, 2015, the District recognized pension expense of $3,714,113 and revenue of $3,714,113 for support provided by the State.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008.Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011 the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus assets no longer exist.

The District is billed annually for its normal contribution plus any accrued liability.

The District's contributions to the PERS, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Normal Contribution	Accrued Liability	Non-Contributory Life	Total Liability	Paid by District
2015	$ 41,545	$ 192,180	$ 15,830	$ 264,438	$ 264,438
2014	56,061	182,510	3,810	242,381	242,381
2013	62,548	149,555	12,624	224,727	224,727

NOTE 7 - PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) Payment Deferral

On March 17, 2009, P.L. 2009, c. 19 (S-21) was signed into legislation and provided regular and vocational school districts the option of deferring fifty percent (50%) of the school district's 2008-09 regular PERS pension liability . School districts that elected to defer the pension liability are required to begin repaying the deferred amount over fifteen (15) years, starting in April of 2012. The amount to be paid will fluctuate based on the pension system investment earnings on the unfunded liability. At any time, however, upon requesting a pay off amount from the Division of Pensions and Benefits, a school district may pay off the deferred amount. The deferral of the aforementioned PERS payment is only an option for the 2008-09 fiscal year. Commencing in fiscal year 2010 and beyond, the full annual PERS pension liability will be required to be budgeted and paid.

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

For the year ended June 30, 2015, the District recognized pension expense of $270,558.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Changes of assumptions	178,222	
Net difference between projected and actual earnings on pension plan investments		337,763
Changes in proportion and differences between District contributions and proportionate share of contributions	5,541	
District contributions subsequent to the measurement date	249,555	
Total	$ 433,318	$ 337,763

$178,222 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 7 - PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) Payment Deferral (Continued)

Collective balances at June 30, 2013 and 2014 are as follows:

	6/30/2014	6/30/2013
Collective deferred outflows of resources	$ 1,032,618,058	$
Collective deferred inflows of resources	1,726,631,532	
Collective net pension liability	14,665,837,859	15,190,834,283
District's Proportion	0.03027164%	0.030237316%

The District adopted a resolution electing to defer fifty percent (50%) of the April 2009 payment, equaling a total deferral of $97,567. The following is the 2014-15 payment of the PERS deferral, based on the billing received to date. N .J.S.A. 43:15A-24b requires the use of "regular interest" when the actuary calculates the amortization of the unfunded accrued liability of the pension system, which is set by the State Treasurer (N.J.S.A. 43:15A-6n).

Year Ending June 30,	Deferral Payment	Interest	Total Projected Payment
2015	$ 4,246	$ 10,637	$ 14,883
2014	4,246	10,303	14,549
2013	4,246	9,699	13,945

NOTE 8 - POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c. 6 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 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.

NOTE 9- ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2015, the District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were $665,733 and $1,056,851, respectively. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $913,126 during the 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 included in the basic financial statements, and the combining and individual fund schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 10 - COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation at their current rate of pay. Payment for accumulated sick days is available to employees only when they reach the statutory retirement requirements and have 10 years of service with the District. Accumulated sick days are paid at one day's salary for every four days of accumulated sick days up to a total of $30,000 and $20,000 maximum for certified employees and non-certified employees, respectively.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the proprietary fund types.

NOTE 11- DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

The Legend Group Financial Services
MetLife
Lincoln Investments
Equitable
Valic

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The District participates in the Gloucester, Cumberland, Salem School Districts Joint Insurance Fund (GCSSDJIF), public entity risk pool. Coverage under this joint plan offers workers' compensation, boiler and machinery, automobile liability, general liability, property, crime, school board legal liability, and pollution legal liability coverage. The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency provision has been made in these financial statements as no deficiencies occurred as of June 30, 2015 for the joint insurance pool.

New Jersey Unemployment Compensation Insurance - The District has elected to funds 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 expendable trust fund for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2014-2015		$ 38,248	$ 34,364	$ 22,066
2013-2014		38,110	35,072	18,182
2012-2013		37,755	22,611	15,144

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund balances at June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 552,985	$ 17,009
Special Revenue Fund		482,676
Capital Project Fund		61,487
Enterprise Fund	17,009	
Internal Service Fund		8,538
Fiduciary Fund		284
	$ 569,994	$ 569,994

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

All interfunds were created as a result of short-term borrowings to cover cash flow needs in the various funds, as well as 2015's interest earnings. These interfunds are expected to be liquidated within the next fiscal cycle. The fund financial interfunds were eliminated in the governmental-wide statements.

NOTE 14 - FUND BALANCE APPROPRIATED

The District has classified its fund balances with the following hierarchy:

Nonspendable:

As of June 30, 2015, the balance in the permanent fund account is $88,719.

Spendable:

The District has classified the spendable fund balances as Restricted, Assigned, and Unassigned and considered each to have been spent when expenditures are incurred. The District currently has no funds classified as Committed.

Restricted Capital reserve - As of June 30, 2015, the balance in the capital reserve account is $1,137 which is restricted for future capital outlay expenditures for capital projects in the District's approved Long Range Facilities Plan.

Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The was no excess surplus as of June 30, 2015.

Capital Projects Fund - There was no fund balance reflected in the capital project fund, as of June 30, 2015.

On August 23, 2010, the District's Board adopted a resolution authorizing the roof replacement of Penn Beach School. The unexpended balance remaining on this project was cancelled during the 2014-15 year, in the amount of $1,280.

On June 21, 2011, the District's Board adopted a resolution authorizing the boiler replacement at the middle school and the purchase of computer equipment. The unexpended balance remaining on this project was cancelled during the 2014-15 year, in the amount of $11,883.

On February 27, 2012, the District adopted a resolution for the renovation of the science lab at the high school. The unexpended balance remaining on this project was cancelled during the 2014-15 year, in the amount of $750,113.

Assigned Other Purposes - The spendable portion of the permanent fund was $13 as of June 30, 2015.

NOTE 14 - FUND BALANCE APPROPRIATED (Continued)

Assigned Designated by the Board of Education for subsequent year's expenditures - The District has appropriated and included as anticipated revenue $650,000 of unrestricted fund balance and $753,984 of restricted capital reserve fund balance.

Assigned for Year End Encumbrances - As of June 30, 2015, the District had no encumbrances outstanding for purchase orders and contracts signed by the District but not completed.

Unassigned - This is the remainder of the District's equity in the governmental fund types. The total balance is a deficit of $389,220 as of June 30, 2015.

NOTE 15 - DEFICIT FUND BALANCES

The District has a deficit fund balance of $389,220 in the General Fund as of June 30, 2015 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires the recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing differences of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2, any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District's general fund deficit is less than the last state aid payments of $831,607.

NOTE 16 - CONTINGENT LIABILITIES

The Board is not involved in any claims or lawsuits incidental to its operations that will, in the opinion of the administration and legal counsel, have a material adverse effect on the financial position of the District.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 24, 2015, the date which the financial statements were available to be issued.

NOTE 18. RETRO ACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period

The District adopted GASB No. 68 - Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27 during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the district to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement.

In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the district was adjusted to reflect the beginning balance of the net pension liability. Since the adjustments to Net Position relate to the beginning net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71- Pension Transition for Contributions Made Subsequent to the Measurement Date, the district restated to its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

Beginning net position as previously reported at June 30, 2014	$ 2,696,920
Prior Period Adjustment - Implementation GASB 68:	
Net Pension Liability (measurement date)	(5,778,952)
Net Deferred Outflows	227,832
Net Position as restated, July 1, 2014	($ 2,854,200)

End of Notes to Financial Statements

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APPENDIX C

FORM OF APPROVING LEGAL OPINION

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75 Livingston Avenue, Roseland, NJ 07068 (973) 622-1800

_____, 2016

The Board of Education of the
Township of Pennsville
in the County of Salem, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Township of Pennsville in the County of Salem, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of $14,725,000 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 31, 2015 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on November 3, 2015 and (iii) a resolution duly adopted by the Board of Education on September 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,

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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