OFFICIAL STATEMENT DATED JANUARY 7, 2016

NEW ISSUE – BOOK ENTRY ONLY

RATING: S&P: "A+" (stable outlook) (underlying)
"AA" (stable outlook) (AGM Insured)
See "RATING" herein

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

$8,223,000
SCHOOL BONDS, SERIES 2016
THE BOARD OF EDUCATION OF THE BOROUGH OF SPOTSWOOD
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)
CALLABLE
BANK-QUALIFIED

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

The $8,223,000 aggregate principal amount of School Bonds, Series 2016 (the "Bonds"), of The Board of Education of the Borough of Spotswood in the County of Middlesex, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in the principal amount of $1,000 each, or any integral multiple thereof with a minimum purchase of $5,000 required, through book-entries made on the books and 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 Bond owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. *See* "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of March and September in each year, commencing September 1, 2016, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding August 15 and February 15 (the "Record Dates" for the payment of interest on the Bonds).

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

MATURITY SCHEDULE,
INTEREST RATES AND YIELDS

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2017	$265,000	2.0000%	0.7800%	2027	$525,000	2.2500%	2.3000%
2018	275,000	2.0000	1.0000	2028	525,000	2.2500	2.3500
2019	280,000	2.0000	1.2000	2029	525,000	2.3750	2.4500
2020	300,000	2.0000	1.3000	2030	525,000	3.0000	2.5000
2021	300,000	2.0000	1.4500	2031	525,000	3.0000	2.6000
2022	300,000	2.0000	1.6000	2032	525,000	3.0000	2.7000
2023	300,000	2.0000	1.7000	2033	525,000	3.0000	2.8000
2024	500,000	2.0000	1.8500	2034	525,000	3.0000	2.9000
2025	500,000	2.0000	2.0000	2035	503,000	3.0000	3.0000
2026	500,000	2.0000	2.1000				

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by the Law Offices of David Rubin, Metuchen, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as financial advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in New York, New York is anticipated to occur on or about January 20, 2016.

THE BOARD OF EDUCATION OF THE
BOROUGH OF SPOTSWOOD
IN THE COUNTY OF MIDDLESEX, NEW JERSEY

BOARD MEMBERS

President – Dulce Branco-Rivera
Vice President – William Smith

Mariellen Chasan
Bill Loschiavo
Bertrand Louis
Felipe Zambrana, Jr. (Milltown Representative)

SUPERINTENDENT

Scott R. Rocco

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Vita Marino

BOARD ATTORNEY

Law Offices of David Rubin
Metuchen, New Jersey

BOARD AUDITOR

Wiss & Company, LLP
Iselin, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

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

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

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

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

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

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

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX E – Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT

OF

THE BOARD OF EDUCATION OF THE
BOROUGH OF SPOTSWOOD
IN THE COUNTY OF MIDDLESEX, NEW JERSEY

$8,223,000
SCHOOL BONDS, SERIES 2016
(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)

CALLABLE
BANK-QUALIFIED

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Spotswood in the County of Middlesex, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its $8,223,000 aggregate principal amount of School Bonds, Series 2016 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated their date of delivery and shall mature on September 1, in each of the years and in the amounts set forth on the cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the first day of March and September (each an "Interest Payment Date"), commencing on September 1, 2016, in each of the years and at the interest rates set forth on the cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each August 15 and February 15 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, Jersey City, New Jersey ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY ONLY SYSTEM" herein.

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

Redemption

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

Notice of Redemption

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

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

Security for the Bonds

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

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

All school bonds are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The 2003 amendments to the Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the 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 School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive, any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act. Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. currently maintains a rating of “A“ and Moody’s Investors Service, Inc. currently maintains a rating of “A2” in connection with the School Bond Reserve.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 appendix 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.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At September 30, 2015, AGM's policyholders' surplus and contingency reserve were approximately $3,769 million and its net unearned premium reserve was approximately $1,603 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (filed by AGL with the SEC on August 6, 2015); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 (filed by AGL with the SEC on November 6, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board on August 18, 2015, and approved by the affirmative vote of a majority of the legal voters present and voting at an annual school district election held on November 3, 2015 and (iii) a resolution duly adopted by the Board on December 1, 2015 (the "Resolution").

The proceeds of the Bonds will be used to finance various capital improvements in and for the School District (the "Project") and to pay the costs of issuance associated with the issuance of the Bonds. The State has awarded the School District aid for the Project in the amount of 33.7%.

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership.

DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board or Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the registrar for such purposes only upon the surrender thereof to the Board or Paying Agent together with the duly executed assignment in form satisfactory to the Board or Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Board or Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

THE SCHOOL DISTRICT AND THE BOARD

The Board is a six (6) member board with members elected for staggered three (3) year terms. One member is a representative from the Borough of Milltown. The Superintendent of Schools is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports through the Superintendent of Schools.

The School District provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade twelve (12), including regular and special education programs for the students of the Borough of Spotswood and the Borough of Helmetta. The School District operates one elementary school for grades Pre-Kindergarten (Pre-K) through one (1), one elementary school for grades two (2) through five (5), one middle school for grades six (6) through eight (8), and one high school for grades nine (9) through twelve (12). The School District also receives high school students from the Borough of Milltown on a tuition basis. *See* APPENDIX A.

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

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

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

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

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

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

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

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

P.L. 2010, c. 44, effective July 13, 2010 (the "New Cap Law"), further provides limitations on school district spending by limiting the amount a school district can raise for school district purposes through the property tax levy by two percent (2%) over the prior year's tax levy. *See* "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein. The New Cap Law provides for certain adjustments to the tax levy cap for specific circumstances relating to enrollment increases, health care cost increases and increases in amounts for certain normal and accrued liability pension contributions.

The New Cap Law provides that school districts may submit to voters during April school elections or on other dates set by regulation of the Commissioner, a proposal or proposals to increase the

Adjusted Tax Levy by more than the allowable amount authorized pursuant to N.J.S.A. 18A:7F-38. The proposal or proposals to increase the Adjusted Tax Levy shall be approved if a majority of the people voting shall vote affirmatively. For school districts with boards of school estimate, the additional Adjusted Tax Levy shall be authorized only if a quorum is present for the vote and a majority of those board members who are present vote affirmatively to authorize the Adjusted Tax Levy.

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

Issuance of Debt

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

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

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

Capital Lease Financing

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

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grade Kindergarten (K) through twelve (12) school district, the School District can borrow up to 4% of the average equalized valuation of taxable property in the School District. The School District has not exceeded its 4% debt limit. *See* "APPENDIX A – School District Debt Limit and Borrowing Margin."

Exceptions to Debt Limitation

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

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

The School District is not an "Abbott District".

The legislative response to Abbott v. Burke was the passage of the QEA (now repealed). The QEA established a new formula for the distribution of State aid for public education, beginning with the 1991-92 fiscal year. The QEA provided a formula that took into account property values and personal income to determine a school district's capacity to raise money for public education. A budgetary limitation, or "CAP" on expenditures, was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

On July 12, 1994, the Court declared the school aid formula under the QEA unconstitutional on several grounds as it applied to the 28 Abbott Districts in the ongoing litigation commonly known as Abbott v. Burke II. No specific remediation was ordered, but the Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that any new formula would be implemented during the 1997-1998 fiscal period and thereafter.

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

In defining what constitutes a "thorough" education, the State Board adopted a set of Core Curriculum Content Standards (the "Core Curriculum Content Standards"). The purpose of the Core Curriculum Content Standards is to provide all students with the knowledge and skills that will enable them to be productive citizens when they graduate from any State high school, regardless of the school's location or socioeconomic condition. The CEIFA provided State funding assistance in the form of Core

Curriculum Content Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Content Standards.

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

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

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

The School Funding Reform Act of 2008

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

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

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

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

Recent Developments in the Reduction of State Aid

The State provides aid to school districts in accordance with amounts provided annually in the State budget. Such aid includes equalization aid, special education categorical aid, transportation aid, preschool education aid, supplemental core curriculum standards aid, choice aid, education adequacy aid, security aid, adjustment aid and other aid as determined in the discretion of the Commissioner.

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

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act of 1965, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. § 6301 et seq., is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such Federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

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

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

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

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

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. The audit must be performed by a licensed public school accountant no later than five (5) months after the end of the school fiscal year. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

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

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

State Supervision

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

Appropriations "Cap"

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

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

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

Tax Assessment and Collection Procedure

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

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

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

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

Tax Appeals

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

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

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

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

FINANCIAL STATEMENTS

The audited financial statements of the Board as of and for the fiscal year ended June 30, 2015 together with the notes to the financial statements have been provided by Wiss & Company, LLP, Iselin, New Jersey (the "Auditor"), and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). *See* "APPENDIX B - Audited Financial Statements for the Year Ended June 30, 2015."

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.

LITIGATION

To the knowledge of the Board Attorney, Law Offices of David Rubin, Metuchen, New Jersey, (the "Board Attorney"), without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, there is no litigation of any nature now pending or threatened against the Board, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, without independent inquiry or investigation and based upon the representation of the Board's Business Administrator/Board Secretary, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX EXEMPTION

Federal Income Tax Treatment

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

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

Additional Federal Income Tax Consequences Relating to Bonds

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

State Taxation

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

Prospective Tax Law Changes

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

Other Tax Consequences

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

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

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

BANK-QUALIFIED BONDS

The Bonds will be designated as "qualified tax-exempt obligations" under Section 265 of the Code by the Issuer for an exemption from the denial of deduction for interest paid by financial institutions to purchase or carry tax-exempt obligations. The Board will furnish to the Underwriter (as herein after defined) at the time of delivery of any payment for the Bonds, a certificate executed by the Business Administrator/Board Secretary of the Board designating the Bonds "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B)(ii) of the Code, and in such certificate the Board will represent that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than $10,000,000 of tax-exempt obligations in the current calendar year.

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.

RISK TO HOLDERS OF BONDS

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

Municipal Bankruptcy

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

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

The Auditor has not participated in the preparation of the information contained in this Official Statement and has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the Financial Statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

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

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

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency") has assigned its rating of "A+ (stable outlook) to the Bonds based upon the creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P based upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds.

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.

UNDERWRITING

The Bonds are being purchased from the Board by Janney Montgomery Scott, LLC, Philadelphia, Pennsylvania (the “Underwriter”) at a price of $8,223,000. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

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

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2015 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the “MSRB”) or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access (“EMMA”) system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

The Board previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) its annual adopted budget for fiscal years ended June 30, 2010, 2011 and 2012; and (ii) certain operating data and annual financial information for fiscal year ended June 30, 2010. Additionally, the Board acknowledges that it previously failed to file material event notices and late filing notices in connection with (i) its timely filings of annual financial information and (ii) certain rating changes. Such notices of material events and late filings have been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system as of the date of this Official Statement. The Board has appointed Phoenix Advisors, LLC to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Vita Marino, (732) 723-2240, or to Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6459.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one or more of its authorized officials to the effect that he/she has examined this Official Statement (including the Appendices) and the financial and other data concerning the School District contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the 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 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 Board has authorized the preparation of this final Official Statement containing pertinent information relative to the Bonds, and this Official Statement is deemed to be the final Official Statement as required by Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. By awarding the Bonds to the Underwriter, the Board agrees that, within the earlier of seven (7) business days following the date of such award or to accompany the purchasers' confirmations requesting payment for the Bonds, it shall provide without cost to the Underwriter, for distribution purposes, copies of this final Official Statement. The underwriter agrees that (i) it shall accept such designation, and (ii) it shall assure the distribution of the final Official Statement.

THE BOARD OF EDUCATION OF THE BOROUGH OF SPOTSWOOD IN THE COUNTY OF MIDDLESEX, NEW JERSEY

/s/ VITA MARINO

VITA MARINO,
Business Administrator/Board Secretary

DATED: January 7, 2016

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APPENDIX A

Certain Economic and Demographic Information Relating to the School District and the Borough of Spotswood

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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 Borough of Spotswood (the "Spotswood") and the Borough of Helmetta (the "Helmetta"). The School District serves the residents of Spotswood and Helmetta for grades pre-K through eight (8) and Spotswood, Helmetta and Milltown for grades nine (9) through twelve (12). The Board's fiscal year ends each June 30.

Effective July 1, 2009, the State Department of Education directed a merger of the Helmetta Board of Education and the Spotswood Borough Board of Education. Prior to this date, the Helmetta had paid tuition for students to attend the School District. Residents of the Helmetta are only responsible for their apportioned share of debt service for new debt issued by the School District after July 1, 2009.

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	Construction Date	Grade Level	Student Enrollment (As of 6/30/15)
Schoenly School	1958	Pre-K - 1	258
Appleby Elementary	1950	2 - 5	457
Memorial Middle School	1967	6 - 8	314
Spotswood High School	1976	9 - 12	731

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.

	2015	2014	2013	2012	2011
Teaching Professionals	167	175	177	171	167
Support Staff	111	89	88	93	79
Total Full & Part Time	278	264	265	264	246

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.

Pupil Enrollments

School Year	Enrollment
2014-2015	1,762
2013-2014	1,788
2012-2013	1,793
2011-2012	1,821
2010-2011	1,816

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 the school has opted to move it 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 the Board 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 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 $26,230,757. The major sources of revenue are $14,834,606 from the local tax levy and $6,121,713 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. The results of the last five budget elections of the Board are as follows:

Budget Year	Amount Raised in Taxes	Budget Amount	Election Result
2015-2016	$14,834,606	$26,230,757	N/A
2014-2015	14,332,953	26,930,343	N/A
2013-2014	14,051,915	25,631,309	N/A
2012-2013	13,804,809	25,910,712	N/A
2011-2012	13,804,809	24,000,832	Defeated

Source: Annual User-Friendly Budget of the School District and NJ State DOE 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. 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	$14,332,953	$14,053,915	$13,804,809	$13,804,809	$13,566,885
Other Local Revenue	5,171,172	4,782,788	4,287,959	4,311,890	4,744,197
Total revenues-local sources	19,504,125	18,836,703	18,092,768	18,116,699	18,311,082
State Sources	8,787,759	8,286,859	8,555,846	7,605,779	6,954,838
Federal Sources	28,046	28,789	32,788	187,480	70,455
Total Revenues	$28,319,930	$27,152,351	$26,681,402	$25,909,958	$25,336,375
EXPENDITURES					
General Fund:					
Instruction	$11,756,119	$11,485,465	$11,525,257	$11,184,322	$10,762,925
Undistributed Expenditures	15,661,144	15,188,886	15,380,488	12,559,170	12,274,283
Capital Outlay	138,060	191,337	1,368,015	1,999,187	1,684,285
Total Expenditures	$27,555,323	$26,865,688	$28,273,760	$25,742,679	$24,721,493
Excess (Deficiency) of Revenues Over/(Under) Expenditures	764,607	286,663	(1,592,358)	167,279	614,882
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	57,314	0	0	0
Transfers in	184,961	0	0	0	0
Transfers out	0	0	0	0	(33,481)
Total other financing sources	184,961	57,314	0	0	(33,481)
Net Change in Fund Balance	949,568	343,977	(1,592,358)	167,279	581,401
Fund Balance, July 1	1,500,054	1,156,077	2,748,435	2,581,156	1,999,755
Fund Balance, June 30	$2,449,622	$1,500,054	$1,156,077	$2,748,435	$2,581,156

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 a capital lease outstanding in the amount of $34,456 with payments through 2017.

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

The following table outlines the outstanding long term debt of the Board as of June 30, 2015.

Fiscal Year Ending	Principal	Interest	Total
2016	$685,000	$266,325	$951,325
2017	705,000	246,925	951,925
2018	730,000	227,025	957,025
2019	750,000	208,700	958,700
2020	770,000	187,650	957,650
2021	790,000	162,713	952,713
2022	830,000	129,938	959,938
2023	860,000	99,888	959,888
2024	885,000	64,313	949,313
2025	230,000	27,750	257,750
2026	245,000	19,125	264,125
2027	265,000	9,938	274,938
TOTALS	$7,745,000	$1,650,288	$9,395,288

Source: Comprehensive Annual Financial Report of the School District

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"). The following is a summation of the Board's debt limitations as of June 30, 2014:

Average Equalized Real Property Valuation (2011, 2012, and 2013)	$1,005,735,860
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	$40,229,434
Less: Bonds and Notes Authorized and Outstanding	7,745,000
Remaining Limitation of Indebtedness	$32,484,434
Percentage of Net School Debt to Average Equalized Valuation	0.77%

Source: Comprehensive Annual Financial Report of the School District

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INFORMATION REGARDING THE BOROUGH OF SPOTSWOOD[2]

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

General Information

Originally part of a larger area called Monmouth, Spotswood was named in 1685 by Scottish settlers after their native town "Spotswoodie". On May 12, 1908, the citizens of Spotswood voted to break away from East Brunswick Township and establish Spotswood as it exists today.

In the 19th century, Spotswood saw a great deal of industrial activity, including iron works and paper mills. During the first half of the 20th century, Spotswood grew slowly allowing it to maintain its rural character. There has been little encroachment of uses into other zones designated for and more suitable to other uses.

Spotswood which is located in south-central Middlesex County, has an area of approximately 2.5 square miles and has a population of approximately 7,880.

Spotswood's excellent location near large employment centers and its proximity to major access routes including the New Jersey Turnpike and Route 18 has enabled it to receive a substantial share of the population growth that has occurred in the region. Spotswood's population grew 149% between 1950 and 1960 to 5,788 and between 1960 and 1970 population grew to 7,891 an increase of 36.3%.

Excellent commuter transportation is available from the recently expanded bus routes and Spotswood's proximity to Route 18 and the New Jersey Turnpike. The Conrail main freight line also serves a number of industries and spurs are available for use on presently undeveloped industrial land.

Form of Government

Effective July 1, 1976 Spotswood governing body began operating under the Faulkner Act, Mayor-Council Plan B form of government. The Council consists of five members. Council members serve four-year terms that are staggered to provide for three (3) seats in one year's election and two (2) seats plus the Mayor two years later. All action is passed by a majority or when required, a 2/3 vote of Council. The Mayor does not vote but has veto power over all ordinances, which can be overridden by a 2/3 vote of the Council.

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

Retirement Systems

All full-time permanent or qualified Spotswood 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. Spotswood is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information[3]

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. Spotswood's share of pension costs in 2014, which is based upon the annual billings received from the State, amounted to $197,235 for PERS and $411,330 for PFRS.

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[3] 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 Spotswood, the County, and the State:

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Borough				
2014	4,614	4,355	259	5.6%
2013	4,588	4,335	253	5.5%
2012	4,674	4,331	343	7.3%
2011	4,601	4,268	332	7.2%
2010	4,586	4,242	344	7.5%
County				
2014	432,112	406,174	25,938	6.0%
2013	443,825	410,919	32,906	7.4%
2012	443,880	406,150	37,730	8.5%
2011	437,083	400,269	36,814	8.4%
2010	435,841	397,918	37,923	8.7%
State				
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%
2010	4,502,400	4,076,700	425,700	9.5%

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)

	Borough	County	State
Median Household Income	$76,681	$79,596	$71,180
Median Family Income	97,636	93,519	86,779
Per Capita Income	33,593	34,345	35,768

Source: US Bureau of the Census 2010

Population

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

	Borough		County		State	
Year	**Population**	**% Change**	**Population**	**% Change**	**Population**	**% Change**
2010	8,257	4.78%	809,858	7.96%	8,791,894	4.49%
2000	7,880	-1.29	750,162	11.67	8,414,350	8.85
1990	7,983	1.82	671,780	12.74	7,730,188	4.96
1980	7,840	-0.65	595,893	2.07	7,365,001	2.75
1970	7,891	36.33	583,813	34.56	7,168,164	18.15

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

Largest Taxpayers

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

Taxpayers	2015 Assessed Valuation	% of Total Assessed Valuation
Spotswood Shopping Center, Inc.	$9,800,000	1.33%
Clearwater Village	9,533,700	1.29%
Schweitzer-Mauduit	8,228,800	1.11%
Inland Container	6,500,000	0.88%
Gillette Enterprises	5,479,900	0.74%
Renaissance Properties	5,300,000	0.72%
Robert Maglies	4,471,300	0.61%
KLIA Properties, LLC	2,943,500	0.40%
Summerhill Corners Association	2,860,500	0.39%
Bell Atlantic	2,715,314	0.37%
Total	$57,833,014	7.83%

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

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2014	$21,759,605	$21,455,974	98.60%
2013	21,322,402	20,962,380	98.31%
2012	21,124,082	20,755,690	98.26%
2011	21,098,577	20,773,663	98.46%
2010	20,231,372	19,930,944	98.52%

Source: Annual Audit Reports of Spotswood

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2014	$112,342	$254,522	$366,865	1.69%
2013	100,612	304,536	405,148	1.90%
2012	107,032	331,307	438,339	2.08%
2011	92,207	269,464	361,670	1.71%
2010	66,991	270,759	337,751	1.67%

Source: Annual Audit Reports of Spotswood

Property Acquired by Tax Lien Liquidation

Year	Amount
2014	$2,533,400
2013	2,533,400
2012	2,533,400
2011	2,533,400
2010	2,533,400

Source: Annual Audit Reports of Spotswood

Tax Rates per $100 of Net Valuations Taxable and Allocations

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

Year	Municipal	Local School	County	Total Taxes
2015	$0.912	$1.629	$0.417	$2.958
2014	0.892	1.630	0.410	2.932
2013	0.874	1.586	0.406	2.866
2012	0.865	1.573	0.406	2.844
2011	0.866	1.562	0.406	2.834

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	$738,957,900	$771,596,429	95.77%	$0	$771,596,429
2014	739,686,600	765,641,859	96.61	1,934,614	767,576,473
2013	740,989,100	754,417,736	98.22	2,171,116	756,588,852
2012	738,989,500	775,028,317	95.35	2,367,590	777,395,907
2011	741,209,700	833,194,357	88.96	2,255,813	835,450,170

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 Spotswood for the past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2015	$6,804,100	$646,750,700	$0	$59,658,000	$18,689,800	$7,055,300	$738,957,900
2014	6,862,000	647,765,200	0	59,414,300	18,589,800	7,055,300	739,686,600
2013	7,019,800	648,315,500	0	59,793,500	18,589,800	7,270,500	740,989,100
2012	7,631,300	646,649,700	0	58,983,200	18,454,800	7,270,500	738,989,500
2011	8,051,300	646,210,100	0	61,223,000	18,454,800	7,270,500	741,209,700

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

Financial Operations

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

Summary of Current Fund Budget

Anticipated Revenues	2011	2012	2013	2014	2015
Fund Balance	$1,072,500	$1,180,000	$1,056,810	$1,100,000	$1,103,323
Miscellaneous Revenues	1,917,156	1,976,943	1,971,487	1,964,434	1,892,429
Receipts from Delinquent Taxes	200,000	227,000	275,000	275,000	245,000
Amount to be Raised by Taxes for Support of Municipal Budget	6,445,243	6,416,467	6,499,852	6,617,689	6,748,171
Total Revenue:	$9,634,899	$9,800,410	$9,803,149	$9,957,123	$9,988,923
Appropriations					
General Appropriations	$7,060,275	$7,016,189	$7,303,626	$7,560,473	$7,691,314
Operations	1,049,302	1,060,573	1,157,992	1,089,242	789,203
Deferred Charges and Statutory Expenditures	20,000	71,350	50,000	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	25,000	153,000	85,000	25,000	170,000
Municipal Debt Service	920,322	939,298	646,531	722,408	778,406
Reserve for Uncollected Taxes	560,000	560,000	560,000	560,000	560,000
Total Appropriations:	$9,634,899	$9,800,410	$9,803,149	$9,957,123	$9,988,923

Source: Annual Adopted Budgets of Spotswood

Fund Balance

Current Fund

The following table lists Spotswood'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
2014	$1,575,501	$1,103,323
2013	1,425,233	1,100,000
2012	1,355,092	1,056,810
2011	1,646,700	1,180,000
2010	1,341,431	1,072,500

Source: Annual Audit Reports of Spotswood

Water-Sewer Utility Operating Fund

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

Fund Balance - Water/Sewer Utility Operating Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2014	$254,814	$185,000
2013	60,701	0
2012	256,701	196,000
2011	156,222	85,100
2010	342,045	237,597

Source: Annual Audit Reports of Spotswood

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Spotswood Indebtedness as of December 31, 2014

General Purpose Debt	
Serial Bonds	$1,735,000
Bond Anticipation Notes	1,108,000
Bonds and Notes Authorized but Not Issued	1,223,050
Other Bonds, Notes and Loans	473,761
Total:	$4,539,811
Local School District Debt	
Serial Bonds	$8,410,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$8,410,000
Self-Liquidating Debt	
Serial Bonds	$4,401,000
Bond Anticipation Notes	1,257,500
Bonds and Notes Authorized but Not Issued	667,000
Other Bonds, Notes and Loans	0
Total:	$6,325,500
TOTAL GROSS DEBT	**$19,275,311**
Less: Statutory Deductions	
General Purpose Debt	$0
Local School District Debt	8,410,000
Self-Liquidating Debt	6,325,500
Total:	$14,735,500
TOTAL NET DEBT	**$4,539,811**

Source: Annual Debt Statement of Spotswood

Overlapping Debt (as of December 31, 2014)[4]

Name of Related Entity	Related Entity Debt Outstanding	Borough Percentage	Borough Share
Local School District	$8,410,000	100.00%	$8,410,000
County	578,120,091	0.79%	4,576,370
Net Indirect Debt			$12,986,370
Net Direct Debt			4,539,811
Total Net Direct and Indirect Debt			**$17,526,182**

Debt Limit

Average Equalized Valuation Basis (2012, 2013, 2014)	$765,029,304
Permitted Debt Limitation (3 1/2%)	26,776,026
Less: Net Debt	4,539,811
Remaining Borrowing Power	$22,236,214
Percentage of Net Debt to Average Equalized Valuation	0.59%
Gross Debt Per Capita based on 2010 population of 8,257	$2,334
Net Debt Per Capita based on 2010 population of 8,257	$550

Source: Annual Debt Statement of Spotswood

4 Spotswood percentage of County debt is based on Spotswood's share of total equalized valuation in the County

INFORMATION REGARDING THE BOROUGH OF HELMETTA[5]

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

General Information

Helmetta finds its origin in the settlement of George W. Helme in the 1880's, when the G.W. Helme Snuff Mill District, a settlement of 220 acres, evolved.

In 1879, Helme became the sole owner of Railroad Mills, the local snuff factory belonging to his father-in-law, Leonard Appleby. Helme, formerly a New Orleans lawyer lost his property after the Civil War. The Town Helmetta incorporated in 1888, inclusive of homes, five brick factories, a church, school, and general store, all belonging to Helme. Helmetta was named after Helme's daughter, Etta Helme. When Helme passed on in 1893, he was reported to be the richest man in Middlesex County and was praised for his generosity to his employees. The Company has relocated to Wheeling, West Virginia, leaving only a caretaker to protect the site. The zoning has been amended on the site to permit senior housing and retail in addition to the current light industrial designation. Prospective buyers and the agent marketing the property have indicated that a mix of senior housing and light commercial business will be the eventual use of the former manufacturing facility.

Helmetta is located in the Southern section of Middlesex County, New Jersey, approximately 45 miles from midtown New York City.

Helmetta has a land area of approximately .8 square miles. It is essentially a residential community, approximately ninety-five percent developed.

Form of Government

Helmetta is governed under the Borough form of New Jersey municipal government. The government consists of a Mayor and a Borough Council comprising six council members, with all positions elected at large. A Mayor is elected directly by the voters to a four-year term of office and only votes in case of a tie on the council. Helmetta Council consists of six members elected to serve three-year terms on a staggered basis, with two seats coming up for election each year.

Retirement Systems

All full-time permanent or qualified Helmetta 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

[5] Source: Helmetta, unless otherwise indicated.

with the benefit and contribution levels set by the State. Helmetta is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information[6]

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. Helemetta's share of pension costs in 2014, which is based upon the annual billings received from the State, amounted to $40,446 for PERS and $43,234 for PFRS.

Employment and Unemployment Comparisons

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

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Borough				
2014	1,276	1,206	70	5.5%
2013	1,337	1,250	88	6.5%
2012	1,308	1,194	114	8.7%
2011	1,287	1,177	111	8.6%
2010	1,284	1,170	115	8.9%
County				
2014	432,112	406,174	25,938	6.0%
2013	443,825	410,919	32,906	7.4%
2012	443,880	406,150	37,730	8.5%
2011	437,083	400,269	36,814	8.4%
2010	435,841	397,918	37,923	8.7%
State				
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%
2010	4,502,400	4,076,700	425,700	9.5%

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

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

Income (as of 2010)

	Borough	County	State
Median Household Income	$78,958	$79,596	$71,180
Median Family Income	89,250	93,519	86,779
Per Capita Income	34,618	34,345	35,768

Source: US Bureau of the Census 2010

Population

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

	Borough		County		State	
Year	Population	% Change	Population	% Change	Population	% Change
2010	2,178	19.34%	809,858	7.96%	8,791,894	4.49%
2000	1,825	50.70	750,162	11.67	8,414,350	8.85
1990	1,211	26.81	671,780	12.74	7,730,188	4.96
1980	955	0.00	595,893	2.07	7,365,001	2.75
1970	955	22.59	583,813	34.56	7,168,164	18.15

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

Largest Taxpayers

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

Taxpayers	2015 Assessed Valuation	% of Total Assessed Valuation
Sutton Plaza Associates	$1,422,600	0.76%
Kaplan at Helmetta, LLC	1,282,400	0.69%
Buchan, William & Roseann	1,233,000	0.66%
Maglies, Robert	877,000	0.47%
AggoLLC	817,100	0.44%
Bohinski, Loretta	816,300	0.44%
Bohinski, Charles & Sandra	568,600	0.30%
Tarantino, David	552,000	0.30%
Raczynski, Anthony & Barbara	541,200	0.29%
Federal National Bank	520,500	0.28%
Total	$8,630,700	4.62%

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

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2014	$5,074,122	$4,965,394	97.86%
2013	5,215,738	5,095,455	97.69%
2012	5,102,564	4,982,281	97.64%
2011	5,168,794	5,031,235	97.34%
2010	5,041,254	4,918,988	97.57%

Source: Annual Audit Reports of Helmetta

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2014	$0	$104,976	$104,976	2.07%
2013	0	97,134	97,134	1.86%
2012	0	96,081	96,081	1.88%
2011	0	86,150	86,150	1.67%
2010	0	111,556	111,556	2.21%

Source: Annual Audit Reports of Helmetta

Property Acquired by Tax Lien Liquidation

Year	Amount
2014	$8,800
2013	8,800
2012	8,800
2011	8,800
2010	8,800

Source: Annual Audit Reports of Helmetta

Tax Rates per $100 of Net Valuations Taxable and Allocations

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

Year	Municipal	Local School	County	Total Taxes
2015	$0.680	$1.635	$0.430	$2.745
2014	0.663	1.615	0.435	2.713
2013	0.652	1.664	0.446	2.762
2012	0.635	1.674	0.404	2.713
2011	0.469	1.283	0.339	2.091

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	$186,609,000	$200,870,829	92.90%	$208,030	$201,078,859
2014	186,766,300	198,899,148	93.90	206,299	199,105,447
2013	186,874,900	201,591,046	92.70	207,201	201,798,247
2012	187,786,600	215,722,688	87.05	259,009	215,981,697
2011	246,767,300	237,253,437	104.01	267,481	237,520,918

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 Helmetta for the past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2015	$1,087,600	$178,758,900	$0	$4,246,600	$1,698,800	$817,100	$186,609,000
2014	1,415,600	178,618,300	0	4,216,500	1,698,800	817,100	186,766,300
2013	1,401,100	178,707,300	0	4,250,600	1,698,800	817,100	186,874,900
2012	1,416,100	179,604,000	0	4,250,600	1,698,800	817,100	187,786,600
2011	2,125,400	236,922,900	0	6,020,000	1,699,000	0	246,767,300

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

Financial Operations

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

Summary of Current Fund Budget

Anticipated Revenues	2011	2012	2013	2014	2015
Fund Balance	$246,000	$246,000	$246,000	$312,400	$234,000
Miscellaneous Revenues	563,316	692,514	718,704	785,369	443,994
Receipts from Delinquent Taxes	90,000	80,000	96,000	105,000	104,000
Amount to be Raised by Taxes for Support of Municipal Budget	1,158,823	1,194,548	1,219,609	1,240,842	1,270,845
Total Revenue:	$2,058,139	$2,213,063	$2,280,313	$2,443,611	$2,052,839
Appropriations					
General Appropriations	$1,425,356	$1,466,752	$1,519,016	$1,572,047	$1,621,912
Operations	230,734	393,960	401,459	527,483	172,892
Deferred Charges and Statutory Expenditures	57,900	24,173	21,900	9,900	7,000
Judgments	0	0	0	0	0
Capital Improvement Fund	79,000	60,000	70,000	70,000	31,000
Municipal Debt Service	110,834	109,341	109,100	104,946	64,100
Reserve for Uncollected Taxes	154,315	158,836	158,838	159,235	155,935
Total Appropriations:	$2,058,139	$2,213,063	$2,280,313	$2,443,611	$2,052,839

Source: Annual Adopted Budgets of Helmetta

Fund Balance

Current Fund

The following table lists Helmetta'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
2014	$413,330	$234,000
2013	503,282	312,400
2012	345,467	246,000
2011	332,761	246,000
2010	340,519	246,000

Source: Annual Audit Reports of Helmetta

Sewer Utility Operating Fund

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

Fund Balance - Sewer Utility Operating Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2014	$116,823	$86,826
2013	121,804	69,133
2012	127,228	41,148
2011	127,035	39,310
2010	112,597	57,745

Source: Annual Audit Reports of Helmetta

Water Utility Operating Fund

The following table lists the Borough'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
2014	$22,524	$12,948
2013	45,391	34,245
2012	48,031	21,024
2011	69,671	64,674
2010	126,669	87,777

Source: Annual Audit Reports of Helmetta

Helmetta Indebtedness as of December 31, 2014

General Purpose Debt	
Serial Bonds	$0
Bond Anticipation Notes	1,500,000
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	$1,500,000
Local School District Debt	
Serial Bonds	$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$0
Self-Liquidating Debt	
Serial Bonds	$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	1,229,058
Total:	$1,229,058
TOTAL GROSS DEBT	**$2,729,058**
Less: Statutory Deductions	
General Purpose Debt	$0
Local School District Debt	0
Self-Liquidating Debt	1,229,058
Total:	$1,229,058
TOTAL NET DEBT	**$1,500,000**

Source: Annual Debt Statement of Helmetta

Overlapping Debt (as of December 31, 2014)[7]

Name of Related Entity	Related Entity Debt Outstanding	Borough Percentage	Borough Share
Local School District	$0	100.00%	$0
County	578,120,091	0.21%	1,187,087
Net Indirect Debt			$1,187,087
Net Direct Debt			1,500,000
Total Net Direct and Indirect Debt			**$2,687,087**

Debt Limit

Average Equalized Valuation Basis (2012, 2013, 2014)	$205,404,294
Permitted Debt Limitation (3 1/2%)	7,189,150
Less: Net Debt	1,500,000
Remaining Borrowing Power	$5,689,150
Percentage of Net Debt to Average Equalized Valuation	0.73%
Gross Debt Per Capita based on 2010 population of 2,178	$1,253
Net Debt Per Capita based on 2010 population of 2,178	$689

Source: Annual Debt Statement of Helmetta

[7] Helmetta percentage of debt is based on the Helmetta's share of total equalized valuation in the County

APPENDIX B

Financial Statements of the Spotswood School District
Fiscal Year Ended June 30, 2015

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School District of SPOTSWOOD BOROUGH

Spotswood Borough
Board of Education
County of Middlesex
New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2015

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School District of

Spotswood Borough

Spotswood Borough Board of Education
Spotswood, New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2015

Prepared by

Spotswood Borough School District
Business Division

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Table of Contents

Table of Contents (continued)

Financial Section

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Independent Auditors' Report

Honorable President and Members
of the Board of Education
Spotswood Borough School District
County of Middlesex
Borough of Spotswood, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Spotswood Borough School District, County of Middlesex, New Jersey (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.T. to the financial statements, during the fiscal year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* which represents a change in accounting principle. As discussed in Note 17 to the financial statements, as of July 1, 2014 the District's net position was restated to reflect the impact of this change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

David J Gannon

David J. Gannon
Licensed Public School Accountant
No. 2305

Wiss & Company
WISS & COMPANY, LLP

December 16, 2015
Iselin, New Jersey

Required Supplementary Information
Part I

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Management's Discussion and Analysis

Spotswood Borough School District
Management's Discussion and Analysis
Year ended June 30, 2015
(Unaudited)

As management of the Spotswood Borough School District (the "District"), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District as of and for the year ended June 30, 2015. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred outflows, deferred inflows and liabilities of the District, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities — All of the District's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation, extracurricular activities, construction and facilities improvements, and debt repayment.

Business-Type Activities — The District charges fees for certain services it provides. The Food service and Community Programs are reported here.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund and as supplementary information for the debt service fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 13-15 of this report.

Proprietary funds. The District maintains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service and CARES programs.

The enterprise fund financial statements can be found on pages 16-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The District also has an unemployment compensation trust fund. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21-57 of this report.

Other information. The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 58-70 of this report.

Financial Highlights

Government-wide Financial Analysis
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the total Government-wide assets exceeded liabilities by $5,398,961 (net position) at the close of 2015.

The following table provides a summary of net position relating to the District's governmental and business-type activities as of June 30, 2015 and 2014:

Spotswood Borough School District
Spotswood, New Jersey
Net Position
June 30,

	2015			2014		
	Governmental Activities	Business - type Activities	Total	Governmental Activities	Business - type Activities	Total
Current and other assets	$ 2,710,094	$ 494,306	$ 3,204,400	$ 1,784,528	$ 598,350	$ 2,382,878
Capital assets, net	18,283,587	7,642	18,291,229	19,209,763	2,592	19,212,355
Total assets	20,993,681	501,948	21,495,629	20,994,291	600,942	21,595,233
Deferred outflows of resources	698,640		698,640	229,663		229,663
Current liabilities	1,619,652	112,657	1,732,309	1,433,457	193,504	1,626,961
Net pension liability	6,370,747		6,370,747			
Long-term liabilities outstanding	8,042,660		8,042,660	8,592,491		8,592,491
Total liabilities	16,033,059	112,657	16,145,716	10,025,948	193,504	10,219,452
Deferred inflow of resources	649,592		649,592			
Net position						
Net investment in capital assets	10,474,046	7,642	10,481,688	10,472,674	2,592	10,475,266
Restricted	2,131,006		2,131,006	1,125,861		1,125,861
Unrestricted (deficit)	(7,595,382)	381,649	(7,213,733)	(400,529)	404,846	4,317
Total net position	$ 5,009,670	$ 389,291	$ 5,398,961	$ 11,198,006	$ 407,438	$ 11,605,444

The largest portion of the District's net position is its investment in capital assets, net of related debt. Restricted net position include those that are subject to external restrictions (e.g. for excess surplus, maintenance reserve and capital reserve).

The remaining (deficit) balance of unrestricted net position of the governmental activities reflects the District's obligations, such as compensated absences and net pension liability that are not invested in capital assets.

The net pension liability, as well as the deferred inflow of resources, increase in deferred outflows of resources and decrease in unrestricted net position (deficit) were all a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68.*

The increase in restricted net position is the result of deposits of $600,000 being placed into capital and maintenance reserves by Board action at its June 2015 meeting.

The decrease in business type activities is the result of the District's CARES operating loss in the District's 2014-2015 year due to a facility charge implemented in 2014-15.

District activities. The key elements of the District's changes in net position for the years ended June 30, 2015 and 2014 are as follows:

Spotswood Borough School District
Spotswood, New Jersey
Changes in Net Position

Years ended June 30,

	2015			2014		
	Governmental Activities	Business Type-Activities	Total	Governmental Activities	Business Type-Activities	Total
Revenues						
Program revenues:						
Charges for services	$ 4,940,108	$ 762,789	$ 5,702,897	$ 4,653,700	$ 712,143	$ 5,365,843
Operating grants and contributions	673,059	141,889	814,948	701,268	130,366	831,634
General revenues:						
Property taxes	15,304,848		15,304,848	15,005,900		15,005,900
State aid not restricted to a specific purpose	11,520,005		11,520,005	8,346,221		8,346,221
Federal aid not restricted to a specific purpose	28,046		28,046	28,789		28,789
Investment Income	34		34	40		40
Miscellaneous	231,030		231,030	129,048		129,048
Total revenue	32,697,130	904,678	33,601,808	28,864,966	842,509	29,707,475
Expenses:						
Instructional services	20,115,485		20,115,485	17,813,904		17,813,904
Support services	11,641,444		11,641,444	10,422,542		10,422,542
Charter school	30,204		30,204	29,988		29,988
Interest and Other Charges	275,587		275,587	451,126		451,126
Business Type Activities		922,825	922,825		949,348	949,348
Total expenses	32,062,720	922,825	32,985,545	28,717,560	949,348	29,666,908
Change in net position	634,410	(18,147)	616,263	147,406	(106,839)	40,567
Net position - beginning of	11,198,006	407,438	11,605,444	11,050,600	514,277	11,564,877
Restatement	(6,822,746)		(6,822,746)			
Net position - beginning of year (as restated)	4,375,260	407,438	4,782,698	11,050,600	514,277	11,564,877
Net position - end of year	$ 5,009,670	$ 389,291	$ 5,398,961	$ 11,198,006	$ 407,438	$ 11,605,444

State aid not restricted increased from the prior year mainly as the result of the State of New Jersey paying more on behalf of the District for retiree pension contributions, as well as a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68.*

Business-type revenue increased as the result of an increase in enrollment in the preschool program in the CARES fund in the current year.

Financial Analysis of the District's Funds
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The fund balance is divided between restricted, assigned and unassigned balances.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2015, and the increases and decreases in relation to the prior year.

Revenue	Amount	Percent of Total	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Local sources	$ 20,488,795	68.25%	$ 687,905	3.47%
State sources	8,938,410	29.77	489,292	5.79
Federal sources	593,722	1.98	(21,236)	(3.45)
Total	$ 30,020,927	100.00%	$ 1,155,961	4.00%

The increase in local sources is the result of an increase in the local tax levy and from tuition received from another school district. The increase in state sources is mainly is mainly the result of an increase in TPAF pension contributions made by the State of New Jersey on-behalf of the District during 2014/2015 as compared to the prior year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2015 and the increases related to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Current expenditures:				
Instruction	$ 12,231,156	41.81%	$ 263,669	2.20%
Undistributed expenditures	15,674,703	53.58	631,136	4.20
Capital outlay	150,835	.52	(134,280)	(47.10)
Debt service:				
Principal	915,000	3.13	(85,000)	(8.50)
Interest	284,626	.96	(35,799)	(11.17)
Total	$ 29,256,320	100.00%	$ 639,726	2.24%

The decrease in capital outlay is mainly attributed to the completion of capital projects in the 2014-2015 year.

The decrease in principal and interest expense is attributable to the required annual debt payment obligations.

General Fund Budgetary Highlights

During the 2015 fiscal year, the District budgeted $534,148 of prior year fund balance. During the year, both revenues and expenditures were within budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons yet mainly due to strong financial constraints anticipating appropriation of undesignated fund balance for tax relief in the upcoming budget development. The following represent a few of the more significant transfers made during the year:

- Undistributed instruction - regular programs – Other salaries for instruction – an increase of $155,145 is attributable to an increase in the number of aides provided to students with special needs to keep those students within the District.

- Undistributed instruction - regular programs – Other purchased services – an increase of $102,000 is attributable to the outsourcing of long term substitutes.

- Undistributed instruction - regular programs – General supplies – an increase of $111,195 is attributable to the needs related to an increase in enrollment and additional aides.

- Undistributed expenditures – instruction – Tuition to private schools for the handicapped – within state – a decrease of $165,758 related to keeping more students within the District instead of sending them out of district.

Capital Assets and Debt Administration

Capital Assets. The District has governmental type capital assets, net of depreciation of $18,283,587 at June 30, 2015, including land, construction in progress, site improvements, buildings and building improvements, machinery, equipment and vehicles. (More detailed information about capital assets can be found in Note 4 to the basic financial statements.)

The District's capital assets, net of accumulated depreciation consisted of the following:

	June 30, 2015	June 30, 2014
Land	$ 197,617	$ 197,617
Site improvements	181,208	192,752
Buildings and building improvements	17,598,412	18,450,928
Machinery, equipment and vehicles	306,350	368,466
Total capital assets, net	$ 18,283,587	$ 19,209,763

Debt Administration and Long-Term Liabilities.

At June 30, 2015 and 2014, the District's governmental activity long-term liabilities consisted of:

	June 30, 2015	June 30, 2014
Bonds payable	$ 7,745,000	$ 8,660,000
Unamortized premium on bonds	236,491	261,462
Compensated absences payable	985,379	843,748
Capital leases payable	34,456	45,290
Total long-term liabilities	$ 9,001,326	$ 9,810,500

More detailed information about the District's outstanding debt and long-term liabilities can be found in Note 5 to the basic financial statements.

Economic Factors and Next Year's Budget

- Continued attention is being given to the levy calculation resulting from the Department of Education merging the Helmetta District in 2009 which is based on equalized valuation.

- With a 2% levy cap passed by the State Legislature, and dwindling revenues, alternative revenue sources are being considered along with a strong hard look at expenditures in all areas.

All of these factors were considered in preparing the District's budget for the 2015-2016 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

Requests for Information

This financial report is designed to provide a general overview of the Spotswood Borough School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the School Business Administrator, 105 Summerhill Road, Spotswood, New Jersey 08884.

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Basic Financial Statements

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Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2015.

Spotswood Borough School District

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 708,323	$ 467,074	$ 1,175,397
Accounts receivable	755,584	20,612	776,196
Internal balances	650	(650)	-
Inventories		7,270	7,270
Restricted assets:			
Cash and cash equivalents	1,245,537		1,245,537
Capital assets, non-depreciable	197,617		197,617
Capital assets, depreciable, net	18,085,970	7,642	18,093,612
Total assets	20,993,681	501,948	21,495,629
Deferred Outflows of Resources			
Deferred loss on defeasance of debt	206,406		206,406
Pension deferrals	492,234		492,234
Total deferred outflows of resources	698,640		698,640
Liabilities			
Accounts payable	493,349	23,340	516,689
Accrued interest payable	108,610		108,610
Intergovernmental payables - state	22,616		22,616
Unearned revenue	36,411	89,317	125,728
Net pension liability	6,370,747		6,370,747
Current portion of long-term obligations	958,666		958,666
Noncurrent portion of long-term obligations	8,042,660		8,042,660
Total liabilities	16,033,059	112,657	16,145,716
Deferred Inflows of Resources			
Pension deferrals	649,592		649,592
Net position			
Net investment in capital assets	10,474,046	7,642	10,481,688
Restricted for:			
Maintenance reserve	634,070		634,070
Capital reserve	611,467		611,467
Excess surplus	885,469		885,469
Unrestricted (deficit)	(7,595,382)	381,649	(7,213,733)
Total net position	$ 5,009,670	$ 389,291	$ 5,398,961

See accompanying notes to the basic financial statements.

Spotswood Borough School District

Statement of Activities

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	Total
Governmental activities						
Instruction	$ 20,115,485	$ 4,940,108	$ 475,037	$ (14,700,340)		$ (14,700,340)
Support services:						
Health services	620,382			(620,382)		(620,382)
Other support services	3,321,425		190,700	(3,130,725)		(3,130,725)
Improvement of instruction	545,589			(545,589)		(545,589)
School library	111,115			(111,115)		(111,115)
Instructional staff training	20,121			(20,121)		(20,121)
General administration	488,596			(488,596)		(488,596)
School administration	1,329,599		7,322	(1,322,277)		(1,322,277)
Central services	573,945			(573,945)		(573,945)
Administrative information technology	369,463			(369,463)		(369,463)
Required maintenance of plant services	621,343			(621,343)		(621,343)
Operation of plant	2,532,670			(2,532,670)		(2,532,670)
Student transportation	1,107,196			(1,107,196)		(1,107,196)
Transfer to charter schools	30,204			(30,204)		(30,204)
Interest on long-term debt	275,587			(275,587)		(275,587)
Total governmental activities	32,062,720	4,940,108	673,059	(26,449,553)		(26,449,553)
Business-type activities						
Food service	421,676	319,583	141,889		$ 39,796	39,796
C.A.R.E.S	501,149	443,206			(57,943)	(57,943)
Total business-type activities	922,825	762,789	141,889		(18,147)	(18,147)
Total primary government	$ 32,985,545	$ 5,702,897	$ 814,948	(26,449,553)	(18,147)	(26,467,700)
General revenues						
Property taxes, levied for general purposes				14,332,953		14,332,953
Property taxes, levied for debt service				971,895		971,895
State sources				11,520,005		11,520,005
Federal sources				28,046		28,046
Miscellaneous income				231,064		231,064
Total general revenues				27,083,963	-	27,083,963
Change in net position				634,410	(18,147)	616,263
Net position—beginning of year (as restated)				4,375,260	407,438	4,782,698
Net position—end of year				$ 5,009,670	$ 389,291	$ 5,398,961

See accompanying notes to the basic financial statements.

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Fund Financial Statements

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Governmental Funds

Spotswood Borough School District
Governmental Funds

Balance Sheet

June 30, 2015

	Major Funds: General Fund	Major Funds: Special Revenue Fund	Major Funds: Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 464,196	$ 54,166	$ 189,961		$ 708,323
Accounts receivable:					
State	202,273				202,273
Federal		42,774			42,774
Other	469,773	4,641			474,414
Interfund	226,734				226,734
Restricted assets:					
Cash and cash equivalents	1,245,537				1,245,537
Total assets	$ 2,608,513	$ 101,581	$ 189,961	$ -	$ 2,900,055
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 149,691	$ 51,754			$ 201,445
Intergovernmental payables:					
State		22,616			22,616
Interfunds payable			$ 189,961		189,961
Unearned revenue	9,200	27,211			36,411
Total liabilities	158,891	101,581	189,961		450,433
Fund balances:					
Restricted for:					
Excess surplus-current year	590,090				590,090
Excess surplus-prior year	295,379		-		295,379
Capital reserve	611,467				611,467
Maintenance reserve	634,070				634,070
Assigned to:					
Designated for subsequent years expenditures	238,769				238,769
Other purposes	67,258				67,258
Designated for subsequent years expenditures - ARRA SEMI	9,575				9,575
Unassigned	3,014				3,014
Total fund balances	2,449,622	-	-	-	2,449,622
Total liabilities and fund balances	$ 2,608,513	$ 101,581	$ 189,961	$ -	

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 $34,633,424 and the accumulated depreciation is $16,349,837	18,283,587
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(108,610)
Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds.	206,406
Long-term liabilities, including bonds payable, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds and unamortized deferred interest costs are not reported as an asset in the funds.	(9,001,326)
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	(157,358)
Accrued pension contributions for the June 30, 2015 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(291,904)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(6,370,747)
Net Position of governmental activities	$ 5,009,670

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2015

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources:					
Local tax levy	$ 14,332,953			$ 971,895	$ 15,304,848
Tuition from other LEA's	4,710,732				4,710,732
Tuition from individuals	229,376				229,376
Interest earned on capital reserve funds	16				16
Miscellaneous	231,048	$ 12,775	-		243,823
Total local sources	19,504,125	12,775	-	971,895	20,488,795
State sources	8,787,759	94,608		56,043	8,938,410
Federal sources	28,046	565,676			593,722
Total revenues	28,319,930	673,059	-	1,027,938	30,020,927
Expenditures					
Current:					
Instruction	11,756,119	475,037			12,231,156
Undistributed-current:					
Instruction	1,070,019				1,070,019
Health services	452,068				452,068
Other support services	2,101,693	177,925			2,279,618
Improvement of instruction	342,396				342,396
Educational media services / school library	70,263				70,263
Instructional staff training	19,174				19,174
General administration	350,596				350,596
School administration	825,228	7,322			832,550
Central services	423,924				423,924
Administrative information technology	245,002				245,002
Required maintenance of plant services	487,424				487,424
Operation of plant	1,802,140				1,802,140
Student transportation	979,594				979,594
Unallocated benefits	3,721,522				3,721,522
On-behalf TPAF social security and pension contributions	2,568,209				2,568,209
Transfer to charter schools	30,204				30,204
Capital outlay	138,060	12,775			150,835
Debt Service:					
Principal	105,000			810,000	915,000
Interest	66,688			217,938	284,626
Total expenditures	27,555,323	673,059	-	1,027,938	29,256,320
Excess/(Deficit) of revenues over/(under) expenditures	764,607	-	-	-	764,607
Other financing sources (uses)					
Transfers in	184,961				184,961
Transfers out	-		$ (184,961)		(184,961)
Total other financing sources	184,961	-	(184,961)	-	-
Net change in fund balances	949,568	-	(184,961)	-	764,607
Fund balances, July 1	1,500,054		184,961	-	1,685,015
Fund balances, June 30	$ 2,449,622	$ -	$ -	$ -	$ 2,449,622

The reconciliation of the fund balances of governmental funds to the net position of governmental activities in the statement of activities is presented in accompanying schedule (B-3).

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2015

Total net change in fund balances - governmental funds (from B-2)		$ 764,607
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 additions exceeded depreciation in the period.		
Depreciation expense	$ (958,783)	
Capital additions	32,607	(926,176)
In the statement of activities, interest on long-term debt is accrued, regardless of when due in the governmental funds, interest is reported when due. The amount presented is the change from prior year.		7,325
Repayments of bond principal are expenditures 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.		
Serial Bonds Payable	915,000	
Obligations under Capital Lease	10,834	
		925,834
Governmental funds report the effect on premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred loss of refunding.		
Amortization of Premium on Bonds	24,971	
Amortization of Deferred Loss	(23,257)	
		1,714
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).		(141,631)
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Pension expense		2,737
Change in net position of governmental activities (A-2)		$ 634,410

See accompanying notes to the basic financial statements.

Proprietary Funds

Spotswood Borough School District
Enterprise Funds

Statement of Net Position

June 30, 2015

	Major Enterprise Funds		
	Food Service	**C.A.R.E.S.**	**Totals**
Assets			
Current assets:			
Cash and cash equivalents	$ 89,261	$ 377,813	$ 467,074
Accounts receivable:			
State	343		343
Federal	9,166		9,166
Other	11,103		11,103
Inventories	7,270		7,270
Total current assets	117,143	377,813	494,956
Capital assets:			
Equipment	154,336		154,336
Accumulated depreciation	(146,694)		(146,694)
Total capital assets, net	7,642		7,642
Total assets	124,785	377,813	502,598
Liabilities			
Current liabilities:			
Accounts payable	14,332	9,008	23,340
Interfund payable		650	650
Unearned revenue		89,317	89,317
Total current liabilities	14,332	98,975	113,307
Net position			
Net investment in capital assets	7,642		7,642
Unrestricted	102,811	278,838	381,649
Total net position	$ 110,453	$ 278,838	$ 389,291

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

Year ended June 30,

	Major Enterprise Funds		
	Food Service	C.A.R.E.S.	Totals
Operating revenues:			
Local sources:			
Daily sales reimbursable programs	$ 303,207		$ 303,207
Program fees		$ 443,206	443,206
Special functions	16,376		16,376
Total operating revenues	319,583	443,206	762,789
Operating expenses:			
Salaries	132,208	318,313	450,521
Employee benefits	40,394		40,394
Purchase professional services	1,824		1,824
Supplies and materials	12,785	7,308	20,093
Repairs and maintenance	8,040		8,040
Cost of sales	178,078		178,078
Depreciation	2,739		2,739
Management Fee	16,670		16,670
Other objects	28,938	175,528	204,466
Total operating expenses	421,676	501,149	922,825
Operating (loss)	(102,093)	(57,943)	(160,036)
Nonoperating revenues:			
State sources:			
State school lunch program	4,552		4,552
Federal sources:			
National school lunch program	120,681		120,681
Food donation program	16,656		16,656
Total nonoperating revenues	141,889	-	141,889
Change in net position	39,796	(57,943)	(18,147)
Total net position, beginning of year	70,657	336,781	407,438
Total net position, end of year	$ 110,453	$ 278,838	$ 389,291

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2015

	Major Enterprise Funds		
	Food Service	C.A.R.E.S.	Totals
Cash flows from operating activities			
Receipts from customers	$ 308,480	$ 438,046	$ 746,526
Payment of interfunds	(177,304)		(177,304)
Payments to employees and for employee benefits	(172,602)	(318,313)	(490,915)
Payments to suppliers	(332,741)	(173,828)	(506,569)
Net cash (used in) operating activities	(374,167)	(54,095)	(428,262)
Cash flows from noncapital financing activities			
Cash received from state and federal reimbursements	147,845		147,845
Receipts from food donation program	14,893		14,893
Net cash provided by noncapital financing activities	162,738	-	162,738
Cash flows from capital and related financing activities			
Purchase of capital assets	(7,789)		(7,789)
Net cash (used in) capital and related financing activities	(7,789)		(7,789)
Net (decrease) in cash and cash equivalents	(219,218)	(54,095)	(273,313)
Cash and cash equivalents, beginning of year	308,479	431,908	740,387
Cash and cash equivalents, end of year	$ 89,261	$ 377,813	$ 467,074
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	$ (102,093)	$ (57,943)	$ (160,036)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:			
Depreciation	2,739		2,739
Change in assets and liabilities:			
Increase in inventory	(3,474)		(3,474)
(Decrease) increase in accounts payable	(82,932)	9,008	(73,924)
Decrease in interfunds payable	(177,304)		(177,304)
Decrease in unearned revenue		(5,160)	(5,160)
Net cash (used in) operating activities	$ (374,167)	$ (54,095)	$ (428,262)

Noncash noncapital financing activities

The District received $14,893 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2015.

See accompanying notes to the basic financial statements.

Fiduciary Funds

Spotswood Borough School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2015

	Unemployment Compensation Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	$ 62,130	$ 941,591
Interfund receivable	60,518	
Total assets	122,648	$ 941,591
Liabilities		
Accounts payable	788	
Payroll deductions and withholdings payable and summer escrow payable		$ 627,362
Interfund payable		96,641
Due to student groups		217,588
Total liabilities	788	$ 941,591
Net position		
Held in trust for unemployment claims	$ 121,860	

See accompanying notes to the basic financial statements.

Spotswood Borough School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2015

	Unemployment Compensation Trust Fund
Additions	
Contributions from plan members	$ 27,650
Total additions	27,650
Deductions	
Unemployment benefit claims paid	27,180
Total deductions	27,180
Change in net position	470
Net position, beginning of the year	121,390
Net position, end of the year	$ 121,860

See accompanying notes to the basic financial statements.

1. Summary of Significant Accounting Policies

The financial statements of the Spotswood Borough School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Spotswood Borough School District in Spotswood, New Jersey. Beginning, July 1, 2009, the Helmetta Borough School District (a non-operating district) was merged into the Spotswood School District. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency among the school districts in the State of New Jersey.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current

1. Summary of Significant Accounting Policies (continued)

fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year.

The District has reported the following major governmental funds:

General Fund: The general fund is the general operating fund of the District and 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 sub-fund.

Special Revenue Fund: The District maintains one special revenue fund, which includes the proceeds of specific revenue sources (other than fiduciary funds or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds and state aid that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

Food Service and C.A.R.E.S. Program Enterprise Funds: The food service fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services

1. Summary of Significant Accounting Policies (continued)

to the students on a continuing basis are financed or recovered primarily through user charges. The C.A.R.E.S program fund accounts for all revenues and expenses in the operation of the after-school program similar to private business enterprises.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation trust fund and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District:

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Trust Funds: The unemployment compensation fund is used to account for contributions from employees and the District and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims.

Agency Funds (Payroll and Student Activity Fund): 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

1. Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for sales of food, program and printing fees. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheet and statements of net position. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and statements of net position and revenue is recognized.

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

The County Board of Taxation is responsible for the assessment of properties, and the Borough Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

1. Summary of Significant Accounting Policies (continued)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). 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 referred in N.J.A.C. 6A:23. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2015 were insignificant and consistent with prior years. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

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

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

1. Summary of Significant Accounting Policies (continued)

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

F. Interfund Receivables/Payables

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

G. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expense during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2015, the District had inventories in the Food Service Enterprise Fund of $7,270. There were no unused Food Donation Program commodities included in inventory and reported as unearned revenue in the Food Service Enterprise Fund at June 30, 2015.

H. Capital Assets

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

1. Summary of Significant Accounting Policies (continued)

Property, plant and equipment of the District are depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	Years
Machinery and equipment	2-20
Buildings	50
Building improvements	20
Vehicles	5-10

I. Accrued Salaries and Wages

Certain District employees who provided 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 not disbursed amounts be retained in a separate bank account. As of June 30, 2015, the amount earned by these employees but not disbursed was $512,024 and is included in liabilities – payroll deductions and withholdings payable and summer escrow payable in the fiduciary fund.

J. Compensated Absences

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 employer and employee is accrued as employees earn the rights to the benefits. The District uses the "vesting method" for estimating its accrued sick and vacation leave liability.

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. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the District is recorded in the government-wide financial statements and includes salary related payments.

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, a liability existed for compensated absences in the government-wide financial statements in the amount of $985,379 and no liability existed for compensated absences in the enterprise funds.

1. Summary of Significant Accounting Policies (continued)

K. Unearned Revenue

Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances. Unearned revenue in the food service enterprise fund represents the value of unused U.S.D.A. commodities.

L. Long-Term Obligations

In the government-wide financial statements and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

District's management estimates that there is no arbitrage rebate liability at June 30, 2015.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, including deferred amounts from the refunding of debt and deferred amounts related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

1. Summary of Significant Accounting Policies (continued)

N. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3) Committed - includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
5) Unassigned - includes all spendable amounts not contained in the other classifications in 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 the 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.

1. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the $2,449,622 of fund balance in the General Fund at June 30, 2015, $611,467 has been restricted in the capital reserve account, $634,070 has been restricted in the maintenance reserve account, $295,379 has been restricted for excess surplus – prior year and $590,090 has been restricted for excess surplus- current year. Additionally there is assigned fund balance which represents year end encumbrances of $67,258, $9,575 designated for subsequent year's expenditures – Semi ARRA and $238,769 has been designated for subsequent year's expenditures and $3,014 is unassigned.

O. Deferred Loss on Refunding of Debt

Deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. As of June 30, 2015, the District has recorded an unamortized balance of $206,406 as a deferred outflow of resources. This amount had previously been recorded as a reduction of bonds payable.

P. Net position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" was changed to "net position" throughout the financial statements. Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources and liabilities in the Government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the Government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

1. Summary of Significant Accounting Policies (continued)

Q. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and post-retirement pension contributions for certified teachers and other members of the New Jersey Teacher's Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by $2,676,203 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

S. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for restricted fund balance - excess surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance in the General Fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2015 is $885,469, which will be designated in the 2015-2016 and 2016-2017 budgets.

T. GASB Pronouncements

GASBs Implemented in the 2015 Fiscal Year

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB No. 68"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement 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 in employer and governmental

1. Summary of Significant Accounting Policies (continued)

nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* ("GASB 71"). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning the transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. 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. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions,

1. Summary of Significant Accounting Policies (continued)

contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

U. Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2015 through December 16, 2015, the date that the financial statements were issued, for possible disclosure and recognition in the accompanying financial statements, and the following item requires disclosure: On November 3, 2015, the District held a referendum to undertake various capital improvements and upgrades within the school district. The residents of the Borough passed the referendum and authorized the issuance of bonds or notes. The total authorization provided an appropriation of funds in the amount of $9,343,707. Additionally, the District anticipates receiving $3,157,457 in state grants.

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net position

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, capital leases payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. The details of this $9,001,326 difference are as follows:

Bonds payable	$ 7,745,000
Capital lease payable	34,456
Premium on bonds	236,491
Compensated absences payable	985,379
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	$ 9,001,326

3. Deposits and Investments

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.

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.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), and the New Jersey Asset and Rebate Management Fund (NJARM).

New Jersey statutes (GUDPA) require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

3. Deposits and Investments (continued)

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

At June 30, 2015, the carrying amount of the District's deposits for all funds was $3,193,690 and the bank balance was $3,638,565, not including funds held with NJARM. Of the bank balances, $250,000 of the District's cash deposits on June 30, 2015 were secured by federal depository insurance and $2,304,266 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA). $1,084,299 held in the District's agency accounts are not covered by GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank.
c. New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.
d. Bonds or other obligations of the school District.

3. Deposits and Investments (continued)

In order to maximize liquidity, the District utilizes the NJARM as its sole investment. The District invests funds in the New Jersey Asset and Rebate Management Fund, which is an investment pool managed by Public Financial Management Company. NJARM allows governments within the state to pool their funds for investment purposes and the Securities and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the District's portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At June 30, 2015, the District's balance was $230,965.

Custodial Credit Risk: Pursuant to GASB 40, the NJARM, which is a pooled investment, is exempt from custodial credit risk exposure. The District does not have a policy for custodial credit risk.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJARM is not rated by a rating agency.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2015, all of the District's investments were invested in NJARM.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The average maturity of the District's investment in NJARM, is less than one year.

All of the District's investments are classified as cash equivalents at June 30, 2015 due to their short-term nature.

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2015:

	Beginning Balance	Increases	Ending Balance
Governmental activities:			
Capital assets, not being depreciated:			
Land	$ 197,617		$ 197,617
Total capital assets, not being depreciated	197,617	-	197,617
Capital assets, being depreciated:			
Site improvements	1,517,940		1,517,940
Buildings and building improvements	30,206,686		30,206,686
Machinery, equipment and vehicles	2,678,574	$ 32,607	2,711,181
Total capital assets being depreciated	34,403,200	32,607	34,435,807
Less accumulated depreciation for:			
Site improvements	(1,325,188)	(11,544)	(1,336,732)
Buildings and building improvements	(11,755,758)	(852,516)	(12,608,274)
Machinery, equipment and vehicles	(2,310,108)	(94,723)	(2,404,831)
Total accumulated depreciation	(15,391,054)	(958,783)	(16,349,837)
Total capital assets, being depreciated, net	19,012,146	(926,176)	18,085,970
Governmental activities capital assets, net	$ 19,209,763	$ (926,176)	$ 18,283,587

4. Capital Assets (continued)

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

Instruction	$	543,272
Undistributed current:		
Instruction		47,527
Health services		20,080
Other support services		101,254
Improvement of instruction		15,208
School library		3,121
Instructional staff training		852
General administration		15,572
School administration		36,979
Central services		18,829
Administation technology		10,882
Required maintenance of plant services		21,650
Operation of plant		80,046
Student transportation		43,511
	$	958,783

The following is a summarization of business-type activities changes in capital assets for the year ended June 30, 2015:

Business-type activities:	**Beginning Balance**	**Increases**	**Ending Balance**
Capital assets, being depreciated:			
Equipment	$ 146,547	$ 7,789	$ 154,336
Less accumulated depreciation for:			
Equipment	(143,955)	(2,739)	(146,694)
Total business-type activities capital assets, net	$ 2,592	$ 5,050	$ 7,642

5. Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	$ 843,748	$ 216,407	$ 74,776	$ 985,379	$ 237,542
Premium on bonds	261,462		24,971	236,491	24,971
Bonds payable	8,660,000		915,000	7,745,000	685,000
Capital lease payable	45,290		10,834	34,456	11,153
Governmental activity long-term liabilities	$ 9,810,500	$ 216,407	$ 1,025,581	$ 9,001,326	$ 958,666

The District expects to liquidate the compensated absences and capital leases payable with payments made from the District's general fund. Bonds payable are liquidated by expenditures charged to the debt service fund and the general fund for the School Energy Savings Obligation Refunding Bonds.

Bonds Payable

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

Principal and interest due on all bonds outstanding is as follows:

	Principal	Interest	Total
Year ending June 30:			
2016	$ 685,000	$ 266,325	$ 951,325
2017	705,000	246,925	951,925
2018	730,000	227,025	957,025
2019	750,000	208,700	958,700
2020	770,000	187,650	957,650
2021-2025	3,365,000	456,850	3,821,850
2026-2027	740,000	56,813	796,813
	$ 7,745,000	$ 1,650,288	$ 9,395,288

All bonds outstanding are presented on schedule I-1 in this report, which reflects amount outstanding as of June 30, 2015, annual maturities and interest rates.

5. Long-Term Liabilities (continued)

Capital Lease Obligations

The District entered into a Capital Lease Obligation on October 8, 2013 for a school bus lease in the amount of $57,314, which is due in five annual installments and for which the final payment is due November 15, 2017. Interest is at 2.95%.

6. Pension Plans

Description of Systems

Substantially all of the District's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{th}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be $1/60^{th}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

6. Pension Plans (continued)

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

6. Pension Plans (continued)

During the year ended June 30, 2015, the State of New Jersey contributed $1,694,490 to the TPAF for post-retirement medical and pension benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $873,719 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. These amounts have been included in the government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2015, 2014 and 2013 were $280,512, $268,983 and $275,418, respectively, equal to the required contributions for each year.

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

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

Public Employee's Retirement System (PERS)

At June 30, 2015, the District reported a liability of $6,370,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2013, which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.0340267962 percent, which was a decrease of 0.0016719817 from its proportion measured as of June 30, 2013.

6. Pension Plans (continued)

For the year ended June 30, 2015, the District recognized full accrual pension expense of $277,775 in the government-wide financial statements. 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	200,330	-
Net difference between projected and actual earnings on pension plan investments	-	379,662
Changes in proportion and differences between District contributions and proportionate share of contributions	-	269,930
District contributions subsequent to the measurement date	291,904	-
	$ 492,234	$ 649,592

$291,904 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (100,006)
2017	(100,006)
2018	(100,006)
2019	(100,004)
2020	(5,090)
Thereafter	(44,150)
	$ (449,262)

6. Pension Plans (continued)

Actuarial Assumptions

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

Inflation rate	3.01%
Salary increases	
2012-2021	2.15 - 4.40% based on age
Thereafter	3.15 - 5.40% based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan

6. Pension Plans (continued)

members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	At 1% Decrease (4.39%)	At Current Discount Rate (5.39%)	At 1% Increase (6.39%)
District's proportionate share of the net pension liability	$ 8,014,617	$ 6,370,747	$ 4,990,315

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	$	1,452,705,538
Collective deferred inflows of resources	$	2,146,719,012
Collective net pension liability - Local Group	$	18,722,735,003
District's Proportion		0.0340267962%

Collective pension expense for the Local Group for the measurement period ended June 30, 2014 is $968,532,408.

6. Pension Plans (continued)

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.44 years.

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2014 was $61,905,138. The District's proportionate share was $0.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2014, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1158258323 percent, which was a decrease of 0.0010999706 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue in the government wide financial statements of $3,331,078 for contributions incurred by the State.

6. Pension Plans (continued)

Actuarial assumptions

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

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality Rates

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

6. Pension Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Fund / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%
	100.00%	

6. Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's proportionate share of the net pension liability associated with the District to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

	At 1% Decrease (3.68%)	**At Current Discount Rate (4.68%)**	**At 1% Increase (5.68%)**
State's proportionate share of the net pension liability associated with the District	$ 74,455,620	$ 61,905,138	$ 51,466,420

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

6. Pension Plans (continued)

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	$	2,389,959,068
Collective deferred inflows of resources	$	1,846,540,800
Collective net pension liability - Local Group	$	53,813,067,539
State's proportionate share associated with the District		0.1158258323%

Collective pension expense for the plan for the measurement period ended June 30, 2014 is $2,906,835,786.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 8.5 years.

7. Post-Retirement Benefits

Plan Description

The School District contributes to the New Jersey State Health Benefits Program (the "SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement

7. Post-Retirement Benefits (continued)

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 free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2015, 2014 and 2013 were $1,039,615, $803,401 and $854,305, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

8. Interfund Receivables and Payables

The total interfund receivable and payable for the District at June 30, 2015 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 226,734	
Capital Projects Fund		$ 189,961
C.A.R.E.S Fund		650
Fiduciary Fund - Payroll Agency Fund		96,641
Fiduciary Fund - Unemployment Compensation Trust Fund	60,518	
	$ 287,252	$ 287,252

8. Interfund Receivables and Payables (continued)

A portion of the interfund payable in the payroll agency fund represents funds to be transferred to the general fund for employee health contributions. The remaining balance of the payroll agency interfund payable is due to the unemployment compensation trust fund for deductions not yet transferred over. The interfund payable in capital projects fund is payable to the general fund and represents the balance of funds in capital projects after all projects were completed. The interfund payable in the C.A.R.E.S fund represents revenues recorded in the C.A.R.E.S fund that relates to general fund tuition revenues. All interfunds are expected to be repaid within one year.

9. Economic Dependency

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

10. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

The District is also involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

11. 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 student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

12. Deferred Compensation

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

13. Restricted Assets

Reservations of fund balances of governmental funds are created to (1) either satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. The District has $611,467 of capital reserve and $634,070 of maintenance reserve that are classified as restricted assets (cash and cash equivalents) on the statement of net position.

14. Capital Reserve Account

A capital reserve account was established by the District in prior years for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenues or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning balance, July 1, 2014	$	311,451
Deposit June 2015 Board meeting		300,000
Interest earnings		16
Ending balance, June 30, 2015	$	611,467

The June 30, 2015 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in the capital reserve.

15. Maintenance Reserve Account

On November 23, 2010, the District elected to establish a reserve to be used to accumulate funds for the required maintenance of a facility, and in accordance with N.J.S.A. 18A:7G-9, as amended by P.L. 2004, c. 73 (S1701), passed a board resolution authorizing the establishment of a maintenance reserve account in the District's General Fund. As allowed by N.J.S.A. 18A:F-41 and N.J.A.C. 6A:23A-14.3 the District can pass a board resolution to deposit funds into a maintenance reserve account between June 1 and June 30 of each budget year. The District deposited funds in the amount of $300,000 during its June 2015 Board meeting leaving $634,070 available in the maintenance reserve at June 30, 2015.

16. Commitments

The District has contractual commitments at June 30, 2015 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of $67,258.

17. Change in Accounting Principle / Restatement

Effective in the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68.*

The implementation of the Statements required a restatement of prior year net position in the government-wide financial statements.

	Governmental Activities
Beginning Net Position - June 30, 2014	$ 11,198,006
Adjustments:	
Recognition of Net Pension Liability	(6,822,746)
Deferred outflow for PERS FY2015 Pension Payment	280,512
Accounts Payable for PERS FY2015 Pension Payment	(280,512)
Adjustment	(6,822,746)
Beginning Net Position - June 30, 2014 (as restated)	$ 4,375,260

Required Supplementary Information
Part II

Spotswood Borough School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System

Last Ten Fiscal Years*

		Year Ended June 30, 2015
District's proportion of the net pension liability (asset) - Local Group		0.0340267962%
District's proportionate share of the net pension liability (asset)	$	6,370,747
District's covered-employee payroll	$	2,362,225
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		269.69%
Plan fiduciary net position as a percentage of the total pension liability - Local Group		52.08%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information:

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014.

Spotswood Borough School District
Schedule of District Contributions
Public Employee's Retirement System

Last Ten Fiscal Years *

	Year Ended June 30, 2015
Contractually required contribution	$ 291,904
Contributions in relation to the contractually required contribution	(291,904)
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 2,362,225
Contributions as a percentage of covered-employee payroll	12.36%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Spotswood Borough School District
Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30, 2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.1158258323%
District's proportionate share of the net pension liability (asset)	$ -
State's proportionate share of the net pension liability (asset) associated with the District	$ 61,905,138
Total proportionate share of the net pension liability (asset) associated with the District	$ 61,905,138
Plan fiduciary net position as a percentage of the total pension liability	33.64%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information:

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014.

Required Supplementary Information
Part III

Budgetary Comparison

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	$ 14,332,953		$ 14,332,953	$ 14,332,953	
Tuition from other LEA's within the state	4,710,732		4,710,732	4,710,732	
Tuition from individuals	338,000		338,000	229,376	$ (108,624)
Interest earned on capital reserve funds				16	16
Miscellaneous	335,720		335,720	231,048	(104,672)
Total revenues - local sources	19,717,405		19,717,405	19,504,125	(213,280)
State sources:					
Equalization aid	5,037,971		5,037,971	5,037,971	
Special education categorical aid	910,803		910,803	910,803	
Transportation aid	54,800		54,800	54,800	
Security aid	31,878		31,878	31,878	
Extraordinary aid	50,000		50,000	147,355	97,355
Additional non public transportation aid				6,518	6,518
Under adequacy aid	6,761		6,761	6,761	
PARCC Readiness	14,750		14,750	14,750	
Per Pupil Growth Aid	14,750		14,750	14,750	
On-behalf TPAF pension contributions (non-budgeted)				1,694,490	1,694,490
Reimbursed TPAF social security contributions (non-budgeted)				873,719	873,719
Total - state sources	6,121,713		6,121,713	8,793,795	2,672,082
Federal sources:					
Medicaid reimbursement	17,077		17,077	28,046	10,969
Total - federal sources:	17,077		17,077	28,046	10,969
Total revenues	25,856,195		25,856,195	28,325,966	2,469,771
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	351,930	$ 4,020	355,950	355,950	
Kindergarten	658,331	14,440	672,771	672,002	769
Grades 1-5	1,555,409	4,220	1,559,629	1,537,810	21,819
Grades 6-8	1,572,183	(68,655)	1,503,528	1,479,072	24,456
Grades 9-12	4,065,643	(33,420)	4,032,223	3,994,014	38,209
Home instruction - regular programs:					
Salaries of teachers	35,000	6,266	41,266	41,266	
Purchased Professional-Educational Services	20,000	2,023	22,023	9,345	12,678
Undistributed instruction - regular programs:					
Other salaries for instruction	272,159	155,145	427,304	380,032	47,272
Other purchased services	22,836	102,000	124,836	118,947	5,889
General supplies	536,322	111,195	647,517	602,294	45,223
Textbooks	16,614	1,063	17,677	5,493	12,184
Other objects	2,600		2,600	1,100	1,500
Total instruction - regular programs	9,109,027	298,297	9,407,324	9,197,325	209,999

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Special education:					
Resource room/center:					
Salaries of teachers	$ 1,453,321	$ (33,700)	$ 1,419,621	$ 1,344,012	$ 75,609
Other salaries for instruction	321,939	(22,340)	299,599	272,677	26,922
Purchased professional-educational services	4,500		4,500	-	4,500
General supplies	6,921		6,921	6,253	668
Textbooks	3,000		3,000	2,160	840
Total resource room/center	1,789,681	(56,040)	1,733,641	1,625,102	108,539
Preschool disabilities - part time:					
Other salaries for instruction	156,977	9,600	166,577	166,577	
General supplies					
Total preschool disabilities - part time	156,977	9,600	166,577	166,577	
Total special education	1,946,658	(46,440)	1,900,218	1,791,679	108,539
Basic skills/remedial - instruction:					
Salaries of teachers	138,319	24,785	163,104	163,057	47
General supplies	1,750		1,750	80	1,670
Textbooks	1,150		1,150	-	1,150
Total basic skills/remedial - instruction	141,219	24,785	166,004	163,137	2,867
Bilingual education - instruction:					
Salaries of teachers	82,620		82,620	82,000	620
Total bilingual education - instruction	82,620		82,620	82,000	620
School - sponsored cocurricular activities:					
Salaries	157,080	(2,472)	154,608	138,775	15,833
Supplies and materials	1,150		1,150	875	275
Total school - sponsored cocurricular activities	158,230	(2,472)	155,758	139,650	16,108

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
School - sponsored athletics - instruction:					
Salaries	$ 279,671	$ 13,210	$ 292,881	$ 285,433	$ 7,448
Purchased services	71,300	(971)	70,329	51,718	18,611
Supplies and materials	32,277		32,277	29,954	2,323
Other objects	17,660		17,660	15,225	2,435
Total school - sponsored athletics - instruction	400,908	12,239	413,147	382,330	30,817
Total instruction	11,838,662	286,409	12,125,071	11,756,121	368,950
Undistributed expenditures:					
Instruction:					
Tuition to county special services	379,360	61,665	441,025	411,383	29,642
Tuition to state facilities	31,294	(16,571)	14,723		14,723
Tuition to private schools for the hand - w/in state	825,002	(165,758)	659,244	658,636	608
Total instruction	1,235,656	(120,664)	1,114,992	1,070,019	44,973
Health services:					
Salaries	265,520	(5,680)	259,840	258,730	1,110
Purchased professional and technical services	143,485	72,583	216,068	191,524	24,544
Supplies and materials	2,022		2,022	1,814	208
Total health services	411,027	66,903	477,930	452,068	25,862
Speech, OT, PT & related services:					
Salaries	477,307	(56,330)	420,977	400,985	19,992
Personal professional educational services	30,000		30,000	18,168	11,832
Total speech, OT, PT & related services	507,307	(56,330)	450,977	419,153	31,824

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Other support services - students - extra services:					
Purchased professional - educational services	$ 122,325	$ (2,700)	$ 119,625	$ 119,625	
Total other support services - students - extra services	122,325	(2,700)	119,625	119,625	
Guidance:					
Salaries of other professional staff	383,002	(41,950)	341,052	332,826	$ 8,226
Salaries of secretarial and clerical assistants	87,104	9,640	96,744	96,744	-
Purchased professional - educational services	25,666	15,700	41,366	24,845	16,521
Other purchased professional and technical services	1,470		1,470	25	1,445
Total guidance	497,242	(16,610)	480,632	454,440	26,192
Child study teams:					
Salaries of other professional staff	686,326	7,640	693,966	693,961	5
Salaries of secretarial and clerical assistants	118,469	3,880	122,349	122,329	20
Purchased professional educational services	279,192	55,612	334,804	279,679	55,125
Other purchased professional services	3,000		3,000	2,675	325
Supplies and materials	7,004	2,700	9,704	9,632	72
Other objects	11,200	(8,700)	2,500	199	2,301
Total child study teams	1,105,191	61,132	1,166,323	1,108,475	57,848
Improvement of instructional services:					
Salaries of supervisors of instruction	460,675	(40,940)	419,735	326,905	92,830
Salaries of secretarial and clerical assist	5,732		5,732	858	4,874
Other salaries	17,903		17,903	2,385	15,518
Purchased professional educational services	8,000		8,000	4,600	3,400
Other purchased services	6,800	(2,802)	3,998	3,941	57
Supplies and materials	4,000	1,000	5,000	3,708	1,292
Other objects	8,600	(8,600)			
Total improvement of instructional services	511,710	(51,342)	460,368	342,397	117,971
Educational media services/school library:					
Salaries	66,303	3,075	69,378	66,251	3,127
Supplies and materials	7,288		7,288	4,011	3,277
Total educational media services/school library	73,591	3,075	76,666	70,262	6,404

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Instructional staff training services:					
Purchased professional - educational services		$ 1,000	$ 1,000	$ 720	$ 280
Other salaries	$ 400		400.00		400
Other purchased services	34,500		34,500	15,290	19,210
Supplies and materials	17,469	(4,730)	12,739	2,038	10,701
Other objects	4,000	1,290	5,290	1,125	4,165
Total instructional staff training services	56,369	(2,440)	53,929	19,173	34,756
Support services-general administration:					
Salaries	219,639		219,639	213,888	5,751
Other purchased professional services	86,000		86,000	65,746	20,254
Purchased technical services	1,385		1,385		1,385
Communications/telephone	38,760	8,300	47,060	46,753	307
General supplies	8,100	73	8,173	5,156	3,017
Other purchased services	2,360	3,000	5,360	1,420	3,940
BOE other purchased professional services	3,450	(3,000)	450	119	331
Miscellaneous expenditures	8,700		8,700	5,060	3,640
BOE membership dues and fees	14,300		14,300	12,454	1,846
Total support services-general administration	382,694	8,373	391,067	350,596	40,471
Support services-school administration:					
Salaries of principals/ assistant principals	543,252	10	543,262	524,194	19,068
Salaries of secretarial and clerical assistants	293,804	(6,351)	287,453	283,850	3,603
Other purchased services	20,600		20,600	4,666	15,934
Supplies and materials	11,018		11,018	6,585	4,433
Other objects	8,000		8,000	5,933	2,067
Total support services-school administration	876,674	(6,341)	870,333	825,228	45,105
Central services:					
Salaries	266,499	(25,000)	241,499	228,775	12,724
Purchased technical services	10,890	74,080	84,970	79,026	5,944
Purchased professional services	61,541	19,015	80,556	77,646	2,910
Miscellaneous purchased services	900		900	600	300
Supplies and materials	37,185	1,000	38,185	36,211	1,974
Other objects	2,635		2,635	1,666	969
Total central services	379,650	69,095	448,745	423,924	24,821
Administrative information technology:					
Salaries	158,378	41,190	199,568	199,136	432
Purchased technical services	45,100	(4,500)	40,600	32,618	7,982
Other objects	13,249		13,249	13,249	
Total administrative information technology	216,727	36,690	253,417	245,003	8,414
Required maintenance for school facilities:					
Salaries	188,274	6,570	194,844	194,677	167
Cleaning, repair and maintenance services	220,575	33,600	254,175	186,565	67,610
General supplies	125,000	648	125,648	79,512	46,136
Other objects	25,000	1,669	26,669	26,669	-
Total required maintenance for school facilities	558,849	42,487	601,336	487,423	113,913

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current expenditures (continued):					
Undistributed expenditures (continued):					
Custodial services:					
Salaries	$ 972,034	$ 1,520	$ 973,554	$ 893,174	$ 80,380
Salaries of non instructional aides	53,640	8,150	61,790	55,893	5,897
Purchased professional and technical services	2,000		2,000		2,000
Rental of land and building					
Other purchased property services	19,540		19,540	17,583	1,957
General supplies	73,770		73,770	44,305	29,465
Energy - natural gas	85,676	19,490	105,166	93,418	11,748
Energy - electric	432,244	(32,690)	399,554	331,709	67,845
Other objects	600		600	600	
Interest - energy savings bonds	66,688		66,688	66,688	
Total custodial services	1,706,192	(3,530)	1,702,662	1,503,370	199,292
Care and upkeep of grounds:					
Salaries	99,238	11,760	110,998	110,992	6
Cleaning, repair and maintenance services	45,200	7,784	52,984	39,523	13,461
General supplies	31,424	3,073	34,497	27,752	6,745
Total care and upkeep of grounds	175,862	22,617	198,479	178,267	20,212
Security:					
Salaries	73,987	3,180	77,167	76,906	261
Purchased professional and technical services	35,000	5,000	40,000	40,000	
General supplies	2,020	1,836	3,856	3,597	259
Total security	111,007	10,016	121,023	120,503	520
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - sp. ed.	68,483		68,483	60,440	8,043
Between home and school - regular	45,363	2,225	47,588	47,587	1
Other than between home and school	38,102		38,102	32,369	5,733
Contracted services:					
Between home & school - regular	275,000	24,412	299,412	280,500	18,912
Other between home & school - regular	53,652	21,095	74,747	73,987	760
Vendors - special ed	400,000	26,970	426,970	426,890	80
Aid in lieu payments - nonpublic schools	36,172	(9,124)	27,048	23,441	3,607
Cleaning, repair and maintenance services	-	8,900	8,900	3,814	5,086
Lease purch payments - school buses	12,170	500	12,670	12,657	13
Miscellaneous purchased services	26,862	(8,900)	17,962	17,909	53
Total student transportation services	955,804	66,078	1,021,882	979,594	42,288
Unallocated benefits:					
Social security contributions	358,195		358,195	351,810	6,385
Other retirement contributions - ERIP	3,850		3,850	3,777	73
Other retirement contributions - regular	388,037	4,645	392,682	316,956	75,726
Group insurance	192,114		192,114	185,439	6,675
Worker's compensation	135,620	31,324	166,944	166,935	9
Health insurance	3,161,246	(298,189)	2,863,057	2,655,057	208,000
Tuition reimbursement	50,000	650	50,650	41,548	9,102
Total unallocated benefits	4,289,062	(261,570)	4,027,492	3,721,522	305,970

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
On-behalf TPAF pension contributions (non-budgeted)				$ 1,694,490	$ (1,694,490)
Reimbursed TPAF social security (non-budgeted)				873,719	(873,719)
Total on-behalf and reimbursed conributions				2,568,209	(2,568,209)
Total undistributed expenditures	$ 14,172,939	$ (135,061)	$ 14,037,878	15,459,251	(1,421,373)
Total current expenditures	26,011,601	151,348	26,162,949	27,215,372	(1,052,423)
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Kindergarten	15,000		15,000	10,385	4,615
Grades 1-5	22,730		22,730	19,328	3,402
Grades 6-8	21,000		21,000	14,968	6,032
Grades 9-12	53,962		53,962	42,908	11,054
Undistributed expenditures:					
Instruction	28,506		28,506	28,506	
Support services - students - special	15,800	(1,000)	14,800	8,301	6,499
Required maintenance school facilities	39,000	-	39,000	32,607	6,393
Total equipment	195,998	(1,000)	194,998	157,003	37,995
Facilities acquisition and construction services:					
Lease purchase agreements - principal	105,000		105,000	105,000	
Other objects	47,744	4,774	52,518	47,744	4,774
Total facilities acquisition and construction services	152,744	4,774	157,518	152,744	4,774
Total expenditures - capital outlay	348,742	3,774	352,516	309,747	42,769
Transfer of funds to charter schools	30,000	758	30,758	30,204	554
Total expenditures	26,390,343	155,880	26,546,223	27,555,323	(1,009,100)
(Deficiency) excess of revenues (under) over expenditures	(534,148)	(155,880)	(690,028)	770,643	1,460,671
Other financing sources:					
Transfers in				184,961	184,961
Total other financing sources	-	-	-	184,961	184,961
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(534,148)	(155,880)	(690,028)	955,604	1,645,632
Fund balances, July 1	2,094,619		2,094,619	2,094,619	
Fund balances, June 30	$ 1,560,471	$ (155,880)	$ 1,404,591	$ 3,050,223	$ 1,645,632
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources					
Budgeted fund balance	$ (534,148)	$ -	$ (534,148)	$ 1,111,484	$ 1,645,632
Adjustment for prior year encumbrances		$ (155,880)	(155,880)	(155,880)	
Total	$ (534,148)	$ (155,880)	$ (690,028)	$ 955,604	$ 1,645,632

Spotswood Borough School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of fund balance:					
Restricted for:					
Capital reserve				$ 611,467	
Maintenance reserve				634,070	
Excess surplus - prior year				295,379	
Excess surplus - current year				590,090	
Assigned to:					
Other purposes				67,258	
Designated for subsequent years expenditures				238,769	
Designated for subsequent years expenditures - ARRA SEMI				9,575	
Unassigned				603,615	
				3,050,223	
Reconciliation to Government Funds Statements GAAP:					
Last state aid payments not recognized on GAAP basis				(600,601)	
Fund balance per Government Funds (GAAP) (B-1)				$ 2,449,622	

Spotswood Borough School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
State sources	$ 86,940	$ 28,840	$ 115,780	$ 94,608	$ (21,172)
Federal sources	461,572	109,133	570,705	540,315	(30,390)
Other sources		40,865	40,865	12,775	(28,090)
Total revenues	548,512	178,838	727,350	647,698	(79,652)
Expenditures:					
Current expenditures:					
Instruction:					
Salaries of teachers	548,512	(427,801)	120,711	116,711	4,000
Tuition		329,500	329,500	329,500	
Supplies and materials		11,171	11,171	11,171	
Textbooks		21,592	21,592	13,870	7,722
Other objects		14,597	14,597	-	14,597
Miscellaneous expenditures		1,650	1,650	-	1,650
Total instruction	548,512	(49,291)	499,221	471,252	27,969
Support services:					
Personnel services–employee benefits		28,412	28,412	26,861	1,551
Purchased professional technical services		53,062	53,062	45,072	7,990
Purchased professional educational services		93,861	93,861	77,416	16,445
Supplies and materials		7,270	7,270	7,000	270
Total support services	-	182,605	182,605	156,349	26,256
Support services - School Administration:					
Salaries		7,322	7,322	7,322	
Total support services - school administration	-	7,322	7,322	7,322	
Support services - other:					
Miscellaneous Expenditures		2,000	2,000		2,000
Total support services - other	-	2,000	2,000		2,000
Capital outlay:					
Equipment - Instructional		10,000	10,000		10,000
Equipment - Non Instructional		26,202	26,202	12,775	13,427
Total capital outlay	-	36,202	36,202	12,775	23,427
Total expenditures	548,512	178,838	727,350	647,698	79,652
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -

Spotswood Borough School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2015

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	$ 28,325,966	$ 647,698
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current year		
Prior year (net of cancellations)		25,361
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	594,565	
Current year	(600,601)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	$ 28,319,930	$ 673,059
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	$ 27,555,323	$ 647,698
Differences - budget to GAAP		
Encumbrances (net) for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current year		
Prior year (net of cancellations)		25,361
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	$ 27,555,323	$ 673,059

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APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

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

___________________, 2016

The Board of Education of the
Borough of Spotswood
Spotswood, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of $8,223,000 aggregate principal amount of School Bonds, Series 2016 (the "Bonds") of The Board of Education of the Borough of Spotswood in the County of Middlesex, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the "Education Law"); (ii) a proposal adopted by the Board on August 18, 2015 (the "Proposal") and approved by the affirmative vote of a majority of the legal voters present and voting at an annual School District election held on November 3, 2015 and (iii) a resolution adopted by the Board on December 1, 2015 (the "Resolution").

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

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing September 1, 2016 and semi-annually thereafter on the first day of March and September in each year, and shall mature on September 1 of the years and in the principal amounts as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2017	$265,000	2.000%	2027	$525,000	2.250%
2018	275,000	2.000	2028	525,000	2.250
2019	280,000	2.000	2029	525,000	2.375
2020	300,000	2.000	2030	525,000	3.000
2021	300,000	2.000	2031	525,000	3.000
2022	300,000	2.000	2032	525,000	3.000
2023	300,000	2.000	2033	525,000	3.000
2024	500,000	2.000	2034	525,000	3.000
2025	500,000	2.000	2035	503,000	3.000
2026	500,000	2.000			

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

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

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

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

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax imposed by Section 55 of the Code. However, the interest on the Bonds owned by corporations will be included in such corporations' "adjusted current earnings" (as defined in Section 56(g) of the Code) in calculating such corporations' alternative minimum taxable income for purposes of determining the Federal alternative minimum tax.

The Bonds maturing on September 1 in the years 2017 through 2024, inclusive, September 1 in the years 2030 through 2034, inclusive, (collectively, the "Premium Bonds") have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

The difference between the stated principal amount of the Bonds maturing on September 1 in the years 2026 through 2029, inclusive (the "Discount Bonds") and their initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Discount Bonds was sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

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

We are further of the opinion that the Bonds constitute "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of January 20, 2016 (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Borough of Spotswood in the County of Middlesex, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the issuance of its $8,223,000 aggregate principal amount of School Bonds, Series 2016 dated their date of delivery (the "Bonds"). The Bonds are being by virtue of a proposal adopted by the Board on August 18, 2015 and approved by the affirmative vote of a majority of the legal voters present and voting at an annual School District election held on November 3, 2015 and pursuant to a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF $8,223,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2016 OF THE BOARD OF EDUCATION OF THE BOROUGH OF SPOTSWOOD IN THE COUNTY OF MIDDLESEX, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH", duly adopted by the Board on December 1, 2015 (the "Bond Resolution"). The Board covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"SEC" shall mean the United States Securities and Exchange Commission.

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

"State" shall mean the State of New Jersey.

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

SECTION 3. Provision of Annual Reports. (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2016 (for the fiscal year ending June 30, 2016), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2017) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

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

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

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

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

(1) The audited financial statements of the Board.

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

(2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated January 7, 2016, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A.

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

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

(1) Principal and interest payment delinquencies;

(2) Nonpayment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of Bondholders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances of the Bonds;

(10) Release, substitution or sale of property securing repayment of the Bonds, if material

(11) Ratings changes rating to the Bonds.

(12) Bankruptcy, insolvency, receivership or similar event of the Board;

(13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material.

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

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

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

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

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

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

SECTION 7. Compliance with the Rule. The Board had previously failed to comply with its previous undertakings, to provide secondary market disclosure pursuant to the Rule. As of the date hereof, however, the Board is in compliance.

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

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Board or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

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

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

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

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Board of Education:

The Board of Education of the
Borough of Spotswood
105 Summerhill Road
Spotswood, New Jersey 08884
Attention: Business Administrator/Board Secretary

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

The Board of Education of the
Borough of Spotswood
105 Summerhill Road
Spotswood, New Jersey 08884
Attention: Business Administrator/Board Secretary

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

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

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

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

THE BOARD OF EDUCATION OF THE BOROUGH OF SPOTSWOOD

By:____________________________________
VITA MARINO,
Business Administrator/
Board Secretary

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	The Board of Education of the Borough of Spotswood in the County of Middlesex, New Jersey
Name of Issue:	$8,223,000 School Bonds, Series 2016 Dated: January 20, 2016 (CUSIP Number: 849237GN6)
Date of Issuance:	January 20, 2016

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of January 20, 2016 executed by the Board.

DATED: ___________________________

____
DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board

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APPENDIX E

Specimen Municipal Bond Insurance Policy

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

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