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

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 8, 2018

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Board (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under "TAX MATTERS" herein. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

THE BOARD OF EDUCATION OF THE BOROUGH OF SPRING LAKE HEIGHTS IN THE COUNTY OF MONMOUTH, NEW JERSEY $10,384,000 SCHOOL BONDS (Book-Entry-Only) (Callable)

Dated: Date of Delivery **Due:** February 15, as shown on the inside front cover

The $10,384,000 School Bonds (the "Bonds") of The Board of Education of the Borough of Spring Lake Heights in the County of Monmouth, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on August 15 and February 15 in each year until maturity, or earlier redemption, commencing on August 15, 2018. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding August 1 and February 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. *See* "DESCRIPTION OF THE BONDS- Redemption" herein.

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

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about March 28, 2018.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON MARCH 15, 2018. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW. MUNIHUB.COM

**THE BOARD OF EDUCATION OF THE
BOROUGH OF SPRING LAKE HEIGHTS
IN THE COUNTY OF MONMOUTH, NEW JERSEY**

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

$10,384,000 SCHOOL BONDS

Maturity (February 15)	Principal Amount	Interest Rate	Yield	CUSIP*
2020	$384,000	%	%	
2021	330,000			
2022	350,000			
2023	450,000			
2024	460,000			
2025	470,000			
2026	490,000			
2027	510,000			
2028	540,000			
2029	575,000			
2030	600,000			
2031	630,000			
2032	650,000			
2033	650,000			
2034	655,000			
2035	660,000			
2036	660,000			
2037	660,000			
2038	660,000			

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

THE BOARD OF EDUCATION OF THE
BOROUGH OF SPRING LAKE HEIGHTS
IN THE COUNTY OF MONMOUTH, NEW JERSEY

MEMBERS OF THE BOARD

Michele Degnan-Spang, President
James S. McCarthy, Vice President
Randy Flaum
Erik Gardner
Anne McGarry

SUPERINTENDENT

John W. Spalthoff

SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY

Matthew K. Varley

BOARD AUDITOR

Holman Frenia Allison, P.C.
Freehold, New Jersey

SOLICITOR

McOmber & McOmber, P.C.
Red Bank, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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

TABLE OF CONTENTS

OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
BOROUGH OF SPRING LAKE HEIGHTS
IN THE COUNTY OF MONMOUTH, NEW JERSEY

$10,384,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY) (CALLABLE)

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of Borough of Spring Lake Heights in the County of Monmouth, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its $10,384,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated the date of delivery and shall mature on February 15 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the fifteenth day of August and February, commencing on August 15, 2018 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the inside front cover page hereof in each year until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each August 1 and February 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC") or its nominee Cede & Co. (or any successor or assign) is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Redemption

The Bonds maturing prior to February 15, 2026 are not subject to redemption prior to maturity. The Bonds maturing on or after February 15, 2026 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after February 15, 2025 at a price of 100% of the Bonds to be redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

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

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

Security for the Bonds

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights general.

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

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

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the 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. On November 11, 2016, S&P Global Ratings, acting through Standard & Poor's Financial Services LLC, downgraded the School Bond Reserve rating from "A (negative)" to "A- (negative)", and on August 29, 2017 the rating was revised to "A- (stable)". Moody's Investors Service, Inc. has downgraded the School Bond Reserve rating from "A2 (negative)" to "A3 (stable)" on April 4, 2017.

AUTHORIZATION AND PURPOSE

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on November 20, 2017 and approved by a majority of the legal voters present and voting at the School District election held on January 23, 2018 and a resolution duly adopted by the Board on February 26, 2018 (the "Resolution").

The purpose of the Bonds is to: (i) provide for security upgrades, ADA improvements, roof replacement, upgrades to the heating, ventilation and air conditioning systems, lighting upgrades, the construction of an addition, various renovations, and the acquisition and installation of solar panels at

Spring Lake Heights Elementary School, including related work, fixtures, furnishings, parking lot reconstruction, equipment and site work; and (ii) permanently finance the cost of the above projects by the Board in the amount of $10,384,000. The Board also expects to receive 40% debt service aid on the eligible costs of the projects.

BOOK-ENTRY-ONLY SYSTEM[1]

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

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

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

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

[1] Source: The Depository Trust Company

representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH

RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day, next preceding an Interest Payment Date.

THE SCHOOL DISTRICT AND THE BOARD

The School District is a Type II school district without a board of school estimate coterminous with the boundaries of the Borough of Spring Lake Heights (the "Borough") located in the County of Monmouth (the "County"), in the state of New Jersey (the "State"). The School District serves students in kindergarten (K) through grade eight (8).

The Board consists of five (5) elected members. Pursuant to State statute, the Board appoints a Superintendent and a Business Administrator. *See* "APPENDIX A – Certain Economic and Demographic Information About the School District and the Borough of Spring Lake Heights."

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Spending Growth Limitation

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

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

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

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

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

The previous legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment. The new law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election. Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal to bank the unused tax levy for use in any of the next three succeeding budget years. A school district can request a use of "banked CAP" only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations has been eliminated under Chapter 44.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes.

Issuance of Debt

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

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

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public school accountant must complete the annual audit no later than five months (5) after the end of the fiscal year. P.L.

2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

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

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

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a kindergarten (K) through grade eight (8) school district, the Board can borrow up to 3% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 3% debt limit. *See* "APPENDIX A – Debt Limit of the Board."

Exceptions to Debt Limitation

A Type II school district (other than a regional school district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The School District has not utilized the municipality's borrowing margin. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see "Energy Savings Obligations" below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended ("EFCFA") repealed the authorization to enter into facilities leases for a term in excess of five years. The payment of rent is treated as a current expense and within the school district's Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

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

Promissory Notes for Cash Flow Purposes

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years, aid was simply determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's current plan for school aid is a "constitutionally adequate scheme".

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

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the Educational Facilities Construction and Financing Act of 2001. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2017. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2017 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis.

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

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

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit's bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year's required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year's principal payment for a bond issue.

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

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

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

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

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

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

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

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

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

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

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

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

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

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

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

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

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

Tax Appeals

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

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

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

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

FINANCIAL STATEMENTS

The financial statements of the Board for the fiscal year ended June 30, 2017 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Holman Frenia Allison, P.C., Freehold, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B – Financial Statements of the Board for the Fiscal Year Ending June 30, 2017". Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

The Board Auditor has not participated in the preparation of this Official Statement except as previously stated.

LITIGATION

To the knowledge of the Board Attorney, Richard D. McOmber, Esq. of McOmber & McOmber, P.C., Red Bank, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. 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. McManimon, Scotland & Baumann, LLC ("Bond Counsel") will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Board with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Board observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the

Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Board as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-intrade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences of Holding the 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 certain 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 companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Bank Qualification

The Bonds **will not** be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION

MUNICIPAL BANKRUPTCY

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

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA" to the Bonds based upon the underlying credit of the School District. The Rating Agency has also assigned its rating of "A-" to the Bonds based upon the additional security provided by the Act.

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

UNDERWRITING

The Bonds have been purchased from the Board at a public sale by ___________ (the "Underwriter") at a price of $_________.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the inside front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

SECONDARY MARKET DISCLOSURE

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

(a) On or prior to February 1 of each year, beginning February 1, 2019, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board and certain financial information and operating data consisting of (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

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

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

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

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

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

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

(7) Modifications to rights of security holders, if material;

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

(9) Defeasances;

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

(11) Rating changes;

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

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

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

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

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

Within the five years immediately preceding the date of this Official Statement, the Board previously failed to file late filing notices and/or event notices in connection with an underlying rating change. Such notices of events and late filings have since been filed with EMMA. The Board appointed Phoenix Advisors, LLC in January of 2013 to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Matthew K. Varley, Business Administrator/Board Secretary, at 1110 Highway 71, Spring Lake Heights, NJ 07762, (732) 449-6149, or to the Municipal Advisor, Phoenix Advisors, LLC, at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

THE BOARD OF EDUCATION OF THE BOROUGH OF SPRING LAKE HEIGHTS IN THE COUNTY OF MONMOUTH, NEW JERSEY

By: ____

Matthew K. Varley, Business Administrator/Board Secretary

Date: March __, 2018

APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL DISTRICT AND THE BOROUGH OF SPRING LAKE HEIGHTS

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 Spring Lake Heights (the "Board"). The School District provides a full range of educational services appropriate to kindergarten (K) through grade eight (8).

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

The Board is the policy-making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District and 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 6/30/17)
Spring Lake Heights Elementary School	1937	K - 8	341

Source: Comprehensive Annual Financial Report of the School District

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

Staff

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

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

	2017	2016	2015	2014	2013
Teaching Professionals	32	32	32	32	31
Support Staff	20	20	20	20	20
Total Full & Part Time Employees	52	52	52	52	51

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
2016-2017	337
2015-2016	345
2014-2015	341
2013-2014	345
2012-2013	375

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

Labor Relations

Labor Contract Representing	Date of Contract Expiration
Spring Lake Heights Education Association	6/30/2018

Source: School District

Pensions

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

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

Fiscal 2017-18 Budget

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

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2017-2018 fiscal year is $8,911,044. The major sources of revenue are $8,032,580 from the local tax levy and $327,549 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

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

Budget Year	Amount Raised in Taxes	Budget Amount	Election Result
2017-2018	$8,032,580	$8,911,044	N/A
2016-2017	7,924,098	8,619,033	N/A
2015-2016	7,687,794	8,305,212	N/A
2014-2015	7,356,903	8,392,726	N/A
2013-2014	7,024,919	7,674,289	N/A

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

[Remainder of Page Intentionally Left Blank]

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2013 through June 30, 2017 for the general fund. This summary should be used in conjunction with the tables in the sourced documents from which it is derived (see Appendix B). Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey 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:

	2017	2016	2015	2014	2013
REVENUES					
Local Sources:					
Local Tax Levy	$7,924,098	$7,687,794	$7,356,901	$7,024,919	$6,955,365
Other Local Revenue	171,784	178,388	101,985	130,463	148,986
Total revenues-local sources	8,095,882	7,866,182	7,458,886	7,155,382	7,104,351
State Sources	976,345	905,053	816,675	736,495	787,915
Federal Sources	0	0	0	0	0
Total Revenues	$9,072,227	$8,771,235	$8,275,561	$7,891,878	$7,892,266
EXPENDITURES					
General Fund:					
Instruction	$2,372,732	$2,354,205	$2,275,282	$2,200,465	$2,114,889
Undistributed Expenditures	6,155,066	5,893,019	6,074,605	5,761,524	5,375,218
Capital Outlay	76,093	29,396	111,546	81,769	48,647
Total Expenditures	$8,603,891	$8,276,620	$8,461,433	$8,043,758	$7,538,754
Excess (Deficiency) of Revenues Over/(Under) Expenditures	468,336	494,614	(185,871)	(151,880)	353,512
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	0	0	0	0
Transfers in	0	0	0	0	64
Transfers out	0	0	0	0	0
Total other financing sources (uses)	0	0	0	0	64
Net Change in Fund Balance	468,336	494,614	(185,871)	(151,880)	353,576
Fund Balance, July 1	1,545,039	1,050,425	1,236,296	1,388,176	1,034,600
Fund Balance, June 30	$2,013,376	$1,545,039	$1,050,425	$1,236,296	$1,388,176

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

Capital Leases

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

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2017, the Board has operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

Short Term Debt

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

Source: Comprehensive Annual Financial Report of the School District

Long Term Debt

The following table outlines the outstanding long term debt of the Board as of June 30, 2017.

Fiscal Year Ending	Principal	Interest	Total
2018	$415,000	$85,000	$500,000
2019	435,000	68,400	503,400
2020	430,000	51,000	481,000
2021	425,000	33,800	458,800
2022	420,000	16,800	436,800
TOTALS	$2,125,000	$255,000	$2,380,000

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 3% of the average equalized valuation for the past three years (see "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT-Exceptions to Debt Limitation" herein). The following is a summation of the Board's debt limitation as of June 30, 2017:

Average Equalized Real Property Valuation (2015, 2016, and 2017)	$1,200,978,746
School District Debt Analysis	
Permitted Debt Limitation (3% of AEVP)	$36,029,362
Less: Bonds and Notes Authorized and Outstanding	2,125,000
Remaining Limitation of Indebtedness	$33,904,362
Percentage of Net School Debt to Average Equalized Valuation	0.18%

Source: Comprehensive Annual Financial Report of the School District

[Remainder of Page Intentionally Left Blank]

INFORMATION REGARDING THE BOROUGH[1]

The following material presents certain economic and demographic information of the Borough of Spring Lake Heights (the "Borough"), in the County of Monmouth (the "County"), State of New Jersey (the "State").

General Information

The Borough is located along the southern coastal portion of the County and has a total land area of 1.3 square miles. It is adjacent to State highways 71 and 35.

The Borough was established as a working-class community with a variety of housing types, including single-family homes, multiple dwellings and seasonal units. The retail/commercial area has been developed along Route 71 to serve the needs of the local residents as well as the thousands of tourists who flock to the New Jersey beaches every summer.

The Borough continues to be a popular place to live because of its close proximity to the beach and easy access to the Garden State Parkway and to public transportation provided by New Jersey Transit.

Form of Government

The Borough is governed by a Council. Six individuals are elected at large in addition to a Mayor. By law, the Borough Council has responsibility for all legislative matters ranging from the enactment of all ordinances and resolutions to general citizen representation. Policy formulation by the Borough Council is assisted by a number of separate advisory board and committees, and input from citizens who attend official committee meetings.

Retirement Systems

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

Pension Information[2]

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2016,

[1] Source: The Borough, unless otherwise indicated.
[2] Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

which is based upon the annual billings received from the State, amounted to $143,042 for PERS and $331,945 for PFRS.

Employment and Unemployment Comparisons

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

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Borough				
2016	2,498	2,401	97	3.9%
2015	2,502	2,369	133	5.3%
2014	2,478	2,338	140	5.6%
2013	2,491	2,311	180	7.2%
2012	2,555	2,309	246	9.6%
County				
2016	331,125	316,454	14,671	4.4%
2015	329,278	312,222	17,056	5.2%
2014	327,777	307,970	19,807	6.0%
2013	327,578	303,020	24,558	7.5%
2012	331,441	302,541	28,900	8.7%
State				
2016	4,524,300	4,299,900	224,300	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,900	8.2%
2012	4,585,300	4,158,600	426,700	9.3%

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

Income (as of 2016)

	Borough	County	State
Median Household Income	$68,750	$87,297	$73,702
Median Family Income	96,875	109,677	90,757
Per Capita Income	44,985	44,504	37,538

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

Population

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

	Borough		County		State	
Year	**Population**	**% Change**	**Population**	**% Change**	**Population**	**% Change**
2016 Estimate	4,611	-2.2%	625,846	-0.7%	8,944,469	1.7%
2010	4,713	-9.8	630,380	2.5	8,791,894	4.5
2000	5,227	-2.1	615,301	11.2	8,414,350	8.9
1990	5,341	-1.5	553,124	9.9	7,730,188	5.0
1980	5,424	17.9	503,173	8.9	7,365,001	2.7

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

Largest Taxpayers

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

Taxpayers	**2017 Assessed Valuation**	**% of Total Assessed Valuation**
Spring Lake Golf Club	$28,150,600	2.29%
Royal Court, LLC	14,850,000	1.21%
Spring Lake Arbors Inc.	9,000,000	0.73%
T & G Realty,LLC/ The Mill	8,640,000	0.70%
Spring Lake Gardens Assoc LLC	8,397,100	0.68%
Homestead Gardens, LLC	8,145,100	0.66%
Triangles S L H Ctr. C/O Mark Prop	7,380,000	0.60%
Manor at Spring Lake, LLC	7,020,000	0.57%
Regency Holdings Company	6,861,700	0.56%
Golf VU Inc.	6,520,700	0.53%
Total	$104,965,200	8.54%

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

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2016	$16,623,924	$16,371,954	98.48%
2015	15,848,347	15,616,259	98.54%
2014	15,415,328	15,090,984	97.90%
2013	14,810,105	14,447,214	97.55%
2012	14,627,493	14,265,167	97.52%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2016	$30,553	$243,998	$274,551	1.65%
2015	24,958	246,911	271,869	1.72%
2014	19,385	314,696	334,081	2.17%
2013	16,239	293,975	310,214	2.09%
2012	12,990	295,138	308,129	2.11%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

Year	Amount
2016	$28,900
2015	28,900
2014	28,900
2013	28,900
2012	28,900

Source: Annual Audit Reports of the Borough

Tax Rates per $100 of Net Valuations Taxable and Allocations

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

Year	Municipal	Local School	County	Total
2017	$0.384	$0.692	$0.284	$1.360
2016	0.383	0.700	0.294	1.377
2015	0.363	0.711	0.299	1.373
2014	0.362	0.686	0.295	1.343
2013	0.347	0.653	0.280	1.280

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
2017	$1,229,491,500	$1,214,623,717	101.36%	$0	$1,214,623,717
2016	1,203,778,800	1,196,920,885	100.74	0	1,196,920,885
2015	1,151,436,000	1,191,391,637	96.85	0	1,191,391,637
2014	1,145,397,850	1,117,461,317	102.50	0	1,117,461,317
2013	1,155,836,700	1,101,006,573	104.98	0	1,101,006,573

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

Classification of Ratables

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

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2017	$6,161,400	$1,042,170,900	$0	$119,791,800	$0	$61,367,400	$1,229,491,500
2016	7,452,300	1,017,248,100	0	119,498,400	0	59,580,000	1,203,778,800
2015	8,086,700	967,785,900	0	118,218,400	0	57,345,000	1,151,436,000
2014	8,493,500	967,057,950	0	116,326,200	0	53,520,200	1,145,397,850
2013	8,645,200	975,855,000	0	117,816,300	0	53,520,200	1,155,836,700

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. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

Anticipated Revenues	**2013**	**2014**	**2015**	**2016**	**2017**
Fund Balance Utilized	$290,000	$290,000	$290,000	$385,000	$450,000
Miscellaneous Revenues	1,010,821	1,044,335	1,130,056	1,058,144	1,051,187
Receipts from Delinquent Taxes	308,128	292,000	318,000	240,000	239,792
Amount to be Raised by Taxation	3,887,260	4,032,273	4,062,594	4,491,476	4,593,751
Total Revenue:	$5,496,209	$5,658,608	$5,800,650	$6,174,620	$6,334,730
Appropriations					
General Appropriations	$4,417,908	$4,658,250	$4,677,300	$4,953,735	$5,117,450
Operations (Excluded from CAPS)	459,064	365,700	395,531	407,319	383,038
Deferred Charges and Statutory Expenditures	28,000	28,000	84,000	18,971	41,417
Judgments	0	0	0	0	0
Capital Improvement Fund	10,000	12,500	54,000	185,000	180,000
Municipal Debt Service	219,300	221,000	223,000	223,000	244,000
Reserve for Uncollected Taxes	361,938	373,158	366,819	386,596	368,825
Total Appropriations:	$5,496,209	$5,658,608	$5,800,650	$6,174,620	$6,334,730

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

Fund Balance - Current Fund

Year	**Balance 12/31**	**Utilized in Budget of Succeeding Year**
2016	$745,567	$450,000
2015	682,379	385,000
2014	408,904	290,000
2013	428,822	290,000
2012	418,932	290,000

Source: Annual Audit Reports of the Borough

Water/Sewer 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/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
2016	$694,879	$450,000
2015	965,035	500,000
2014	590,621	100,000
2013	260,382	0
2012	242,376	0

Source: Annual Audit Reports of the Borough

[Remainder of Page Intentionally Left Blank]

Borough Indebtedness as of December 31, 2016

General Purpose Debt	
Serial Bonds	$1,280,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	237,960
Other Bonds, Notes and Loans	0
Total:	$1,517,960
Local School District Debt	
Serial Bonds	$2,525,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$2,525,000
Self-Liquidating Debt	
Serial Bonds	$360,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	3,174
Other Bonds, Notes and Loans	0
Total:	$363,174
TOTAL GROSS DEBT	**$4,406,134**
Less: Statutory Deductions	
General Purpose Debt	$8,089
Local School District Debt	2,525,000
Self-Liquidating Debt	363,174
Total:	$2,896,263
TOTAL NET DEBT	**$1,509,870**

Source: Annual Debt Statement of the Borough

[Remainder of Page Intentionally Left Blank]

Overlapping Debt (as of December 31, 2016)[3]

Name of Related Entity	Related Entity Debt Outstanding	Borough Percentage	Borough Share
Local School District	$2,525,000	100.00%	$2,525,000
County	985,092,608	1.02%	10,023,799
Net Indirect Debt			$12,548,799
Net Direct Debt			1,509,870
Total Net Direct and Indirect Debt			**$14,058,669**

Debt Limit

Average Equalized Valuation Basis (2014, 2015, 2016)	$1,168,591,280
Permitted Debt Limitation (3 1/2%)	40,900,695
Less: Net Debt	1,509,870
Remaining Borrowing Power	$39,390,825
Percentage of Net Debt to Average Equalized Valuation	0.129%
Gross Debt Per Capita based on 2010 population of 4,713	$935
Net Debt Per Capita based on 2010 population of 4,713	$320

Source: Annual Debt Statement of the Borough

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

APPENDIX B

FINANCIAL STATEMENTS OF THE BOARD FOR THE FISCAL YEAR ENDING JUNE 30, 2017

JOHN W. SPALTHOFF
SUPERINTENDENT/PRINCIPAL

MATTHEW K. VARLEY, C.P.A.
BUSINESS ADMINISTRATOR/BOARD SECRETARY

December 1, 2017

Honorable President and
Members of the Board of Education
Spring Lake Heights School District
1110 Highway #71
Spring Lake Heights, New Jersey 07762

Dear Board Members:

The comprehensive annual financial report of the Spring Lake Heights School District ("District") for the fiscal year ending June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Spring Lake Heights Board of Education ("Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes the transmittal letter, the district's organizational chart, a roster of principal officials and a list of consultants and advisors. The financial section includes the government-wide and fund financial statements and schedules, as well as the auditor's report and the Management's Discussion and Analysis. The statistical section includes selected financial statements and schedules as well as information generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the U.S. Office of Management and the Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations, and the State Treasury OMB Circular 05-08, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

The Spring Lake Heights School District is an independent report entity. It is comprised of one school. The District maintains a high quality education and provides a full range of programs and services appropriate to grades K-8. Spring Lake Heights has a sending-receiving relationship with the Manasquan School District for its high school students.

1110 Highway 71 ◆ Spring Lake Heights, NJ 07762 ◆732-449-6149 Ext. 210 ◆Fax 732-449-9492
http://www.slheights.org ◆ mvarley@slheights.org

The Spring Lake Heights PTA, Booster Club and Educational Foundation are extremely active and supportive of the school district. These groups help to supplement and enhance the students' experiences at Spring Lake Heights Elementary.

The District Board is comprised of 5 members. The Board meets on the 3rd Monday of each month beginning at 7 p.m.; except when district functions or holidays interfere with that schedule.

Ruth Ziznewski, the Superintendent, retired in August 2011 after 5 years of service. Robert Mahon accepted the role of Interim Superintendent while the Board did a Superintendent's Search. Mr. Mahon stayed with the district and guided the Board through negotiations with the Spring Lake Heights Education Association and the Superintendent's search. A Memorandum of Agreement was reached but not ratified; and a new Superintendent, Dr. James McCartney, was successfully hired. Dr. James McCartney left his position as Superintendent at the end of July, 2017. After interviews were conducted, John W. Spalthoff was successfully hired as Superintendent/Principal beginning August 1, 2017.

To maintain effective communications, the District sends out a quarterly newsletter and updates its website frequently. Information is posted on the website during the budget process and presentations are conducted.

The average daily enrollment for the 2016-2017 school year was 344.54 and the average daily attendance was 327.98. This reflects a decrease in the average daily enrollment of 344.54 students.

The Board continued the practice of placing money in reserves. They passed resolutions in June 2017 to add $425,000 to the districts Capital Reserve, $200,000 to Maintenance Reserve and $100,000 to Tuition Reserve. These reserves should help to continue the District's financial stability in the future.

Spring Lake Heights is a high functioning, successful school district. Test scores are comparable or higher than districts in its District Factor Group. The district employees used technology as an intricate part of their instruction. The District has installed Smart Boards in most classrooms and wireless access is available. The teachers are incorporating student response systems as an additional technological instructional aid. Curriculum is constantly being updated and aligned with the Core Curriculum Content Standards.

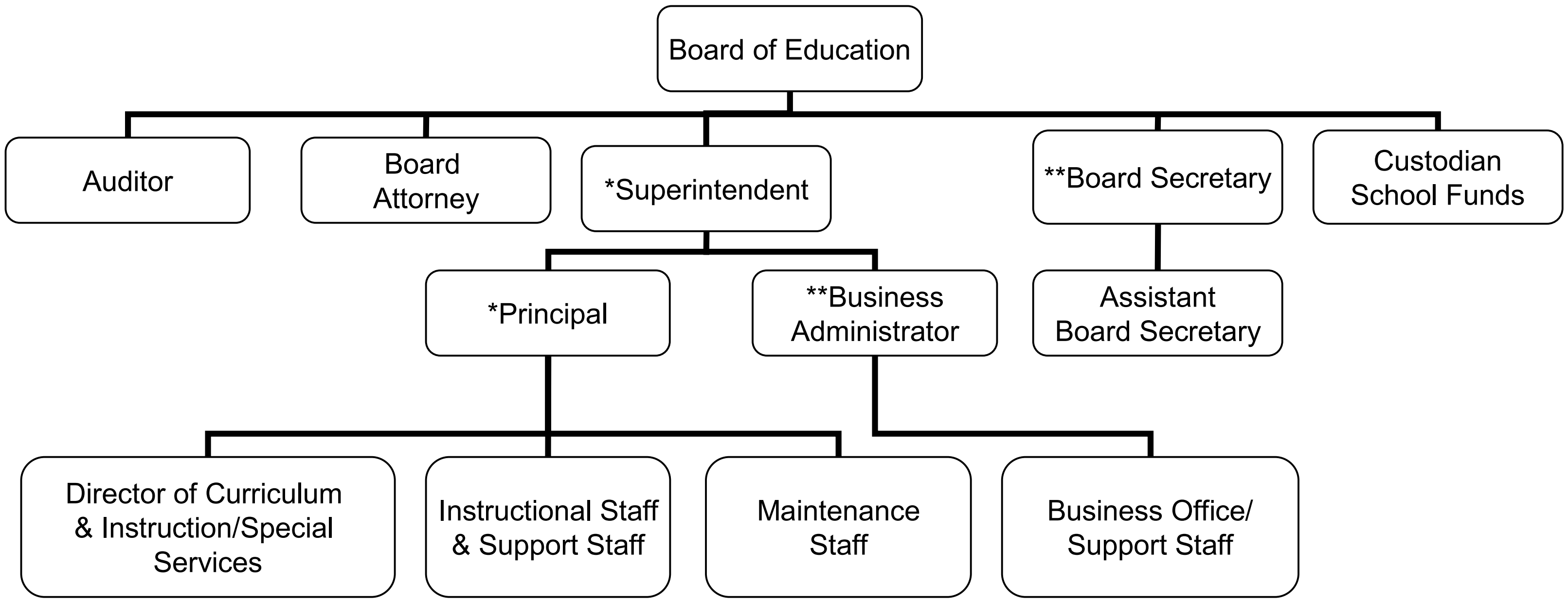
We would like to express our appreciation to the members of the Spring Lake Heights Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our support staff.

Respectfully submitted,

John W. Spalthoff
Superintendent/Principal

Matthew Varley
Business Administrator

Spring Lake Heights Board of Education
Unit Control District
Organizational Chart



* Position filled by one person
** Position filled by one person

In absence of the Chief School Administrator, the School Business Administrator/Supervisor shall assume all the duties and Responsibilities of the Chief School Administrator.

This page intentionally left blank.

SPRING LAKE HEIGHTS SCHOOL DISTRICT

ROSTER OF OFFICIALS

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Michael J. Forrester, President	2017
Michele Degnan-Spang, Vice President	2019
Anne McGarry	2019
Erik Gardner	2018
James McCarthy	2018

OTHER OFFICIALS

Dr. James McCartney, Superintendent of Schools (Employment ended 7/31/17)

John W. Spalthoff, Superintendent/Principal (Employment began 8/1/17)

Matthew Varley, Business Administrator/Board Secretary

Cindy Barr-Rague, Treasurer of School Funds

McOmber & McOmber, Attorney

SPRING LAKE HEIGHTS SCHOOL DISTRICT

CONSULTANTS AND ADVISORS

AUDIT FIRM

Robert W. Allison, CPA, RMA, PSA
Holman Frenia Allison, P. C.
912 Highway 33, Suite 2
Freehold, New Jersey 07728

ATTORNEY

Richard D. McOmber, Esq.
McOmber & McOmber
54 Shrewsbury Avenue
Red Bank, New Jersey 07701

OFFICIAL DEPOSITORY

TD Bank
Cherry Hill, New Jersey 08034

Investors Savings Bank
Short Hills, New Jersey 07078

FINANCIAL SECTION

This page intentionally left blank

HFA
HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Suite 201, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
6 E. Park Street, P.O. Box 614, Bordentown, NJ 08505 • Tel: 609.298.8639
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010
795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090
926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090
www.hfacpas.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Spring Lake Heights School District
County of Monmouth
Spring Lake Heights, 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 Spring Lake Heights School District, County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Spring Lake Heights School District, County of Monmouth, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spring Lake Heights School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 01, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Robert W. Allison
Certified Public Accountant
Public School Accountant, No. 897

Freehold, New Jersey
December 01, 2017

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

This page intentionally left blank

SPRING LAKE HEIGHTS SCHOOL DISTRICT
1110 New Jersey 71, Spring Lake, NJ 07762

MONMOUTH COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)

Introduction

Management’s discussion and analysis of the Spring Lake Heights Borough School District’s (“District”) financial results that follows will provide statement readers with some insight into this philosophy and its impact on the educational changes taking place within the District as well as providing some understanding of the fiscal activities undertaken by the Board’s administrative team to effect this change.

Basic Financial Statements

The annual report consists of a series of financial statements and notes to those statements presented so the reader can gain an understanding of the District as a financial operating entity. The overview statements then proceed to provide an increasingly detailed look at specific financial activities. These statements provide a “report card” of sorts on the District’s financial transactions, including data on all assets and liabilities using full accrual accounting in a manner similar to information presented by publicly held companies. All of these activities are intended to advance the District’s mission as stated at the beginning of this analysis.

The financial statements previously presented in the District’s Comprehensive Annual Financial Report remain unchanged: detailed and comparative exhibits of budgeted and actual revenue and expenses by General, Special Revenue, Proprietary and Debt Service Funds. This disclosure has been expanded by the addition of the Statement of Net Position and the Statement of Activities using full accrual accounting similar to the statements used in reporting corporate financial results. Another new feature will be supplementary information that includes a comparison of the original and final budgets to the final expenditures for the General and Special Revenue Funds.

The Statement of Net Position presents the District’s deferred outflows and assets and deferred inflows and liabilities in order of liquidity, except for liabilities with current and long-term elements that will be presented accordingly. Net position represents the difference between assets and liabilities, and will be presented in three categories: net investment in capital assets, restricted net position and unrestricted net position. Using this methodology requires depreciation of capital assets.

The Statement of Activities provides an overview of the cost of providing educational services by major categories of expense and revenue. These two statements report the District’s net position and how they have changed year to year, reflecting a variety of influences such as the educational philosophy (i.e. dedicated to increased test scores), voter approval of tax levy, interest income, successful grant applications, etc. An additional factor influencing these results is the level of state funding received, as the flat funding over the past two years has had a negative impact on the District’s finances.

Financial Highlights

Key financial highlights for 2017 are as follows:

- General revenues accounted for $9,145,687.71 or 93.03% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $684,811.26 or 6.97% of total revenue of $9,830,498.97.

- Total net position increased by $552,632.09.

- The School District had $9,277,866.88 in expenses; $684,811.26 of these expenses were offset by program specific charges for services and operating grants and contributions. Total revenues of $9,830,498.97, together with Fund Balance, were adequate to provide for these programs.

- The General Fund had a total fund balance of $2,013,375.58.

Using this General Accepted Accounting Principles Report (GAAP)

The Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2017 and 2016.

Table 1

Net Position

	2017	2016
Assets:		
Cash and Cash Equivalents	$ 2,180,268.20	$ 1,599,495.93
Receivables, Net	28,821.75	17,743.30
Inventory	1,182.58	2,505.85
Capital Assets, Net	6,198,603.70	6,404,650.24
Total Assets	8,408,876.23	8,024,395.32
Deferred Outflows of Resources:		
Pension Related	796,554.00	154,038.00
	796,554.00	154,038.00
Total Assets and Deferred Outflow of Resources	9,205,430.23	8,178,433.32
Liabilities:		
Accounts Payable	196,357.00	69,603.08
Accrued Expenses	31,875.00	37,875.00
Due to Other Governments	50,621.00	-
Unearned Revenue	3,463.15	1,970.30
Noncurrent Liabilities:		
Due Within One Year	439,985.95	424,985.95
Due Beyond One Year	3,814,100.77	3,464,148.72
Total Liabilities	4,536,402.87	3,998,583.05
Deferred Inflow of Resources:		
Pension Related	159,072.00	222,527.00
	159,072.00	222,527.00
Total Liabilities and Deferred Inflow of Resources	4,695,474.87	4,221,110.05
Net Position:		
Net Investment in		
Capital Assets	3,948,673.98	2,556,095.57
Restricted for:		
Debt Service	1.33	(37,873.67)
Capital Projects	1,025,000.00	-
Maintenance Reserve	480,592.46	-
Tuition Reserve	200,000.00	-
Excess Surplus	28,029.31	-
Other Purposes	-	1,203,635.65
Unrestricted	(1,172,341.72)	235,465.72
Total Net Position	$ 4,509,955.36	$ 3,957,323.27
	-	-

Table 2 provides a comparison analysis of District-wide changes in net position from fiscal years 2017 and 2016.

Table 2

Changes in Net Position

	2017	2016
Revenues		
Program Revenues:		
Charges for Services	$ 235,369.11	$ 222,492.95
Operating Grants and Contributions	449,442.15	1,468,527.17
General Revenues:		
Property Taxes	8,425,098.00	8,189,194.00
Grants and Entitlements	696,265.05	310,765.00
Other	24,324.66	25,447.85
Total Revenues	9,830,498.97	10,216,426.97
Program Expenses		
Instruction	2,505,692.29	2,502,495.88
Support Services:		
Pupils and Instructional Staff	3,071,412.92	2,972,275.36
General Administration, School Administration, Business Operations and Maintenance of Facilities	1,030,445.88	1,020,634.36
Pupil Transportation	369,975.95	348,838.22
Employee Benefits	1,804,372.53	2,244,525.36
Business-Type Activities	118,976.60	92,330.37
Other	376,990.71	407,400.39
Total Expenses	9,277,866.88	9,588,499.94
Increase/(Decrease) in Net Position	$ 552,632.09	$ 627,927.03

Governmental Activities

Annually, on the first Tuesday in November, the voters of New Jersey get an opportunity to voice their opinion on all things economic and/or political as they are asked to vote on their local school district's annual tax levy developed as part of the annual school budget process if the Board of Education decides to exceed the 2% cap. Over the last two budget cycles, the Board of Education has remained well within the 2% tax cap levy. The District remains as a minimum tax levy district. Property taxes made up 86.66% of revenues for governmental activities for the Spring Lake Heights Borough School District for fiscal year 2016-2017.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services, identifying the cost of these services supported by tax revenue and unrestricted State entitlements. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 2,505,692.29	$ 2,226,032.03	$ 2,502,495.88	$ 2,204,005.24
Support Services:				
Pupils and Instructional Staff	3,071,412.92	3,054,703.92	2,972,275.36	2,957,764.36
General Administration, School Administration, Business	532,700.74	532,700.74	498,353.23	498,353.23
Operation and Maintenance of Facilities	497,745.14	497,745.14	522,281.13	522,281.13
Pupil Transportation	369,975.95	89,895.95	348,838.22	326,093.22
Employee Benefits	1,804,372.53	1,804,372.53	2,244,525.36	981,697.68
Other	376,990.71	376,990.71	407,400.39	407,400.39
Total Expenses	$ 9,158,890.28	$ 8,582,441.02	$ 9,496,169.57	$ 7,897,595.25

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

Extracurricular activities includes expenses related to student activities provided by the School district which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and other fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation, amortization, and Interest & Other charges.

School District's Funds

Information about the School District's major funds follows this report. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $9,722,136.97, and expenditures of $9,253,800.69.

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 schedules present a summary of the revenues of the governmental fund for the fiscal year ended June 30, 2017, and the amount and percentage of increases and decreases in relation to prior-year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2015/16	Percent of Increase/ (Decrease)
Local Sources	$ 8,596,882.16	88.43%	$ 229,300.30	2.74%
State Sources	978,852.81	10.07%	73,800.13	8.15%
Federal Sources	146,402.00	1.51%	(13,659.63)	-8.53%
Total	$ 9,722,136.97	100.00%	$ 289,440.80	6.10%

The following schedule presents a summary of General Fund, Special Revenue Fund, & Debt Service Fund expenditures for the fiscal year ended June 30, 2017:

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2015/16	Percent of Increase/ (Decrease)
Current Expense:				
Instruction	$ 2,504,932.29	27.07%	$ 5,176.41	0.21%
Undistributed Expenditures	6,142,379.28	66.38%	234,849.32	3.98%
Debt Service:				
Principal	400,000.00	4.32%	15,000.00	0.00%
Interest & Other Charges	130,396.00	1.41%	13,996.00	0.00%
Capital Outlay	76,093.12	0.82%	46,697.12	158.86%
Total	$ 9,253,800.69	100.00%	$ 315,718.85	3.97%

General Fund Budgeting Highlights

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

* Staffing changes based on student needs
* Changes in appropriations to prevent budget overruns
* Increased building security
* Supported additional educational technology purchases and support services

Capital Assets

At the end of the fiscal year 2017, the School District had $6,171,764.92 invested in land, buildings, equipment, and machinery.

Table 4

Capital Assets at June 30, 2017 and 2016

	2017	2016
Land	$ 5,000.00	$ 5,000.00
Improvements	416,454.85	416,454.85
Building and Improvements	9,954,231.00	9,954,231.00
Equipment	901,766.87	825,673.75
Less: Accumulated Depreciation	(5,078,849.02)	(4,796,709.36)
Total	$ 6,198,603.70	$ 6,404,650.24

Debt Administration

At June 30, 2017, the Spring Lake Heights Borough School District had $2,125,000.00 in outstanding bonds and $41,340.00 for Compensated Absences.

At June 30, 2017, the School District's overall legal debt margin was $32,138,142.71.

Current Financial Issues and Concerns

Spring Lake Heights is a small residential community with very little available land for future development. Student enrollment remains stable and is projected to remain steady in the foreseeable future. Recently, the Board of Education approved policies and procedures for admitting non-resident children to the School.

The Spring Lake Heights School Board passed resolutions in June 2017 to fund Tuition Reserve, Capital Reserve and Maintenance Reserve to further aid in the School District’s financial stability.

The Spring Lake Heights School District is committed to providing its resident and non-resident children with a high-quality education at a cost that is reasonable to taxpayers. The School District will continue to work diligently to plan for the future needs of the students with sound financial practices.

Contacting the School District's Financial Management Team

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have questions about this report or need additional information, please contact the School Business Administrator/Board Secretary at Spring Lake Heights Board of Education, 1110 Highway #71, Spring Lake Heights, NJ 07762.

Basic Financial Statements

This page intentionally left blank

A. Government-Wide Financial Statements

This page intentionally left blank

SPRING LAKE HEIGHTS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Cash and Cash Equivalents	$ 467,982.42	$ 6,693.32	$ 474,675.74
Receivables, Net (Note 4)	27,632.02	1,189.73	28,821.75
Internal Balances	3,000.00	(3,000.00)	-
Inventory	-	1,182.58	1,182.58
Restricted Cash and Cash Equivalents	1,705,592.46	-	1,705,592.46
Capital Assets, Non-Depreciable (Note 5)	5,000.00	-	5,000.00
Capital Assets, Depreciable, Net (Note 5)	6,166,764.92	26,838.78	6,193,603.70
Total Assets	8,375,971.82	32,904.41	8,408,876.23
Deferred Outflows of Resources:			
Deferred Outflows Related to Pensions	796,554.00	-	796,554.00
Total Deferred Outflows of Resources	796,554.00	-	796,554.00
Total Assets and Deferred Outflow of Resources	9,172,525.82	32,904.41	9,205,430.23
Liabilities:			
Accounts Payable	190,129.99	6,227.01	196,357.00
Accrued Expenses	31,875.00	-	31,875.00
Due to Other Governments	50,621.00	-	50,621.00
Unearned Revenue	700.00	2,763.15	3,463.15
Noncurrent Liabilities (Note 7):			
Due Within One Year	439,985.95	-	439,985.95
Due Beyond One Year	3,814,100.77	-	3,814,100.77
Total Liabilities	4,527,412.71	8,990.16	4,536,402.87
Deferred Inflows of Resources:			
Deferred Inflows Related to Pensions (Note 8)	159,072.00	-	159,072.00
Total Deferred Inflows of Resources	159,072.00	-	159,072.00
Total Liabilities and Deferred Inflow of Resources	4,686,484.71	8,990.16	4,695,474.87
Net Position:			
Net Investment in Capital Assets	3,921,835.20	26,838.78	3,948,673.98
Restricted for:			
Capital Projects	1,025,000.00	-	1,025,000.00
Debt Service	1.33	-	1.33
Maintenance Reserve	480,592.46	-	480,592.46
Tuition Reserve	200,000.00	-	200,000.00
Excess Surplus	28,029.31	-	28,029.31
Unrestricted (Deficit)	(1,169,417.19)	(2,924.53)	(1,172,341.72)
Total Net Position	$ 4,486,041.11	$ 23,914.25	$ 4,509,955.36

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

EXHIBIT A-2

SPRING LAKE HEIGHTS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTALS
Functions/Programs	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	JUNE 30, 2017
GOVERNMENTAL ACTIVITIES						
Instruction:						
Regular	$ 1,770,626.29	$ 147,459.50	$ 132,200.76	$ (1,490,966.03)	$ -	$ (1,490,966.03)
Special Education	582,155.60	-	-	(582,155.60)	-	(582,155.60)
Other Special Instruction	83,187.00	-	-	(83,187.00)	-	(83,187.00)
Other Instruction	69,723.40	-	-	(69,723.40)	-	(69,723.40)
Support Services:						
Tuition	2,443,604.06	-	-	(2,443,604.06)	-	(2,443,604.06)
Student and Instruction Related Services	627,808.86	-	16,709.00	(611,099.86)	-	(611,099.86)
General and Business Administrative Services	273,321.63	-	-	(273,321.63)	-	(273,321.63)
School Administrative Services	121,051.93	-	-	(121,051.93)	-	(121,051.93)
Central Services	138,327.18	-	-	(138,327.18)	-	(138,327.18)
Administrative Information Technology	942.52	-	-	(942.52)	-	(942.52)
Plant Operations and Maintenance	496,802.62	-	-	(496,802.62)	-	(496,802.62)
Pupil Transportation	369,975.95	-	280,080.00	(89,895.95)	-	(89,895.95)
Employee Benefits	1,804,372.53	-	-	(1,804,372.53)	-	(1,804,372.53)
Interest & Other Changes to Long-Term Debt	99,410.05	-	-	(99,410.05)	-	(99,410.05)
Unallocated Depreciation and Amortization	277,580.66	-	-	(277,580.66)	-	(277,580.66)
						-
Total Government Activities	9,158,890.28	147,459.50	428,989.76	(8,582,441.02)	-	(8,582,441.02)
BUSINESS-TYPE ACTIVITIES						
Food Service	118,976.60	87,909.61	20,452.39	-	(10,614.60)	(10,614.60)
Total Business-Type Activities	118,976.60	87,909.61	20,452.39	-	(10,614.60)	(10,614.60)
Total Primary Government	$ 9,277,866.88	$ 235,369.11	$ 449,442.15	(8,582,441.02)	(10,614.60)	(8,593,055.62)

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

SPRING LAKE HEIGHTS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTALS
Functions/Programs	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	JUNE 30, 2017
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				7,924,098.00	-	7,924,098.00
Taxes Levied for Debt Service				501,000.00	-	501,000.00
Federal & State Aid Not Restricted				696,265.05	-	696,265.05
Miscellaneous Income				24,324.66	-	24,324.66
Total General Revenues				9,145,687.71	-	9,145,687.71
Change In Net Position				563,246.69	(10,614.60)	552,632.09
Net Position - Beginning				3,922,794.42	34,528.85	3,957,323.27
Net Position - Ending				$ 4,486,041.11	$ 23,914.25	$ 4,509,955.36

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

This page intentionally left blank.

B. Fund Financial Statements

This page intentionally left blank

Governmental Funds

This page intentionally left blank

EXHIBIT B-1

SPRING LAKE HEIGHTS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Assets:				
Cash and Cash Equivalents	$ 466,686.85	$ 1,294.24	$ 1.33	$ 467,982.42
Receivables From Other Governments:				
State	27,632.02	-	-	27,632.02
Due From Other Funds	3,000.00	-	-	3,000.00
Restricted Cash and Cash Equivalents	1,705,592.46	-	-	1,705,592.46
Total Assets	$ 2,202,911.33	$ 1,294.24	$ 1.33	$ 2,204,206.90
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	$ 188,835.75	$ 1,294.24	$ -	$ 190,129.99
Unearned Revenue	700.00	-	-	700.00
Total Liabilities	189,535.75	1,294.24	-	190,829.99
Fund Balances:				
Restricted:				
Capital Reserve	1,025,000.00	-	-	1,025,000.00
Maintenance Reserve	480,592.46	-	-	480,592.46
Tuition Reserve	200,000.00	-	-	200,000.00
Debt Service Fund	-	-	1.33	1.33
Current Year Excess Surplus	4,986.12	-	-	4,986.12
Prior Year Excess Surplus Designated for Subsequent Year's Expenditures	23,043.19	-	-	23,043.19
Assigned:				
Other Purposes	20,100.00	-	-	20,100.00
Designated for Subsequent Year's Expenditures	11,830.81	-	-	11,830.81
Unassigned	247,823.00	-	-	247,823.00
Total Fund Balances	2,013,375.58	-	1.33	2,013,376.91
Total Liabilities and Fund Balances	$ 2,202,911.33	$ 1,294.24	$ 1.33	

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 $11.162.860.97 and the accumulated depreciation is $4.991.096.05.	6,171,764.92
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.	
Deferred Outflows related to pensions	796,554.00
Deferred Inflows related to pensions	(159,072.00)
Accrued pension contributions for the June 30, 2017 plan year 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.	(50,621.00)
Long-term liabilities, including net pension liability an bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(4,254,086.72)
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.	(31,875.00)
Net Position of Governmental Activities	$ 4,486,041.11

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

EXHIBIT B-2

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

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Local Sources:				
Local Tax Levy	$ 7,924,098.00	$ -	$ 501,000.00	$ 8,425,098.00
Tuition - From Individuals	147,459.50	-	-	147,459.50
Other	24,324.66	-	-	24,324.66
Total - Local Sources	8,095,882.16	-	501,000.00	8,596,882.16
State Sources	976,345.05	2,507.76	-	978,852.81
Federal Sources	-	146,402.00	-	146,402.00
Total Revenues	9,072,227.21	148,909.76	501,000.00	9,722,136.97
Expenditures:				
Current:				
Regular Instruction	1,637,665.53	132,200.76	-	1,769,866.29
Special Education Instruction	582,155.60	-	-	582,155.60
Other Special Instruction	83,187.00	-	-	83,187.00
Other Instruction	69,723.40	-	-	69,723.40
Support Services and Undistributed Costs:				
Tuition	2,443,604.06	-	-	2,443,604.06
Student and Instruction Related Services	611,099.86	16,709.00	-	627,808.86
General Administration	273,321.63	-	-	273,321.63
School Administrative Services	121,051.93	-	-	121,051.93
Central Services	138,327.18	-	-	138,327.18
Administrative Information Technology	942.52	-	-	942.52
Plant Operations and Maintenance	496,802.62	-	-	496,802.62
Pupil Transportation	369,975.95	-	-	369,975.95
Employee Benefits	1,670,544.53	-	-	1,670,544.53
Debt Service:				
Interest and Other Charges	29,396.00	-	101,000.00	130,396.00
Principal	-	-	400,000.00	400,000.00
Capital Outlay	76,093.12	-	-	76,093.12
Total Expenditures	8,603,890.93	148,909.76	501,000.00	9,253,800.69
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	468,336.28	-	-	468,336.28
Net Change in Fund Balances	468,336.28	-	-	468,336.28
Fund Balance - July 1	1,545,039.30	-	1.33	1,545,040.63
Fund Balance - June 30	$ 2,013,375.58	$ -	$ 1.33	$ 2,013,376.91

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

SPRING LAKE HEIGHTS SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 468,336.28
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, on 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 depreciation exceeded capital outlays in the current fiscal year.		
Depreciation Expense	(277,580.66)	
Capital Outlay	76,093.12	(201,487.54)
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net position liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		(133,828.00)
Repayment of bond, loans and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		400,000.00
Bond discounts and bond premiums are amortized over the lives of the bonds in the Statement of Activities but are recorded as an addition from the proceeds from sales of bonds in the governmental funds.		24,985.95
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
Current Year	(41,340.00)	
Prior Year	40,580.00	(760.00)
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 decrease in accrued interest over the previous year is an addition in the reconciliation.		
Current Year	(31,875.00)	
Prior Year	37,875.00	6,000.00
Change in Net Position of Governmental Activities		$ 563,246.69

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

This page intentionally left blank.

Proprietary Funds

This page intentionally left blank

EXHIBIT B-4

SPRING LAKE HEIGHTS SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
Assets:	
Current Assets:	
Cash and Cash Equivalents	$ 6,693.32
Intergovernmental Receivables:	
State	34.44
Federal	524.76
Due From Students	630.53
Inventory	1,182.58
Total - Current Assets	9,065.63
Noncurrent Assets:	
Furniture, Machinery and Equipment	114,591.75
Less:	
Accumulated Depreciation	(87,752.97)
Total - Noncurrent Assets	26,838.78
Total Assets	35,904.41
Liabilities:	
Accounts Payable	6,227.01
Due to General Fund	3,000.00
Unearned Revenue	2,763.15
Total - Liabilities	11,990.16
Net Position:	
Net Investment in Capital Assets	26,838.78
Unrestricted	(2,924.53)
Total Net Position	$ 23,914.25

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

EXHIBIT B-5

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
	FOOD SERVICE
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs	$ 55,850.81
Daily Sales - Non-Reimbursable Programs	32,058.80
Total Operating Revenues	87,909.61
Operating Expenses:	
Salaries	30,171.76
Employee Benefits	4,466.51
Purchased Professional/Technical Services	20,326.06
Other Purchased Services	5,259.71
Depreciation	4,559.00
Miscellaneous Expense	4,158.69
Supplies and Materials	3,957.03
Cost of Goods Sold - Reimbursable	30,411.37
Cost of Goods Sold - Non-Reimbursable	15,666.47
Total Operating Expenses	118,976.60
Operating Income (Loss)	(31,066.99)
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	774.36
Federal Sources:	
National School Lunch Program	12,094.94
Food Distribution Program	7,583.09
Total Nonoperating Revenues	20,452.39
Change in Net Position	(10,614.60)
Total Net Position - Beginning	34,528.85
Total Net Position - Ending	$ 23,914.25

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

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS FOOD SERVICE
Cash Flows From Operating Activities:	
Receipts From Customers	$ 89,234.44
Payments To Employees	(34,638.27)
Payments To Suppliers	(64,313.22)
Net Cash Provided By/(Used For) Operating Activities	(9,717.05)
Cash Flows From Noncapital Financing Activities:	
State Sources	778.54
Federal Sources	12,201.77
Net Cash Provided By Noncapital Financing Activities	12,980.31
Net Increase in Cash and Cash Equivalents	3,263.26
Balance - Beginning of Year	3,430.06
Balance - End of Year	$ 6,693.32
Reconciliation of Operating Loss To Net Cash Provided By/ (Used For) Operating Activities:	
Operating Income/(Loss):	$ (31,066.99)
Adjustments To Reconcile Operating Loss To Net Cash Provided By/(Used For) Operating Activities:	
Depreciation	4,559.00
(Increase)/Decrease in Accounts Receivable	1.56
Increase/(Decrease) in Unearned Revenue	792.85
(Increase)/Decrease in Inventories	1,323.27
Increase/(Decrease) in Interfund Payable	3,000.00
Increase/(Decrease) in Accounts Payable	4,090.17
Total Adjustments	21,349.94
Net Cash Provided By/(Used For) Operating Activities	$ (9,717.05)

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

This page intentionally left blank.

Fiduciary Fund

This page intentionally left blank

EXHIBIT B-7

SPRING LAKE HEIGHTS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	UNEMPLOYMENT COMPENSATION TRUST	AGENCY FUND	TOTALS
Assets:			
Cash and Cash Equivalents	$ 15,133.15	$ 8,938.70	$ 24,071.85
Total Assets	15,133.15	8,938.70	24,071.85
Liabilities:			
Payable To Student Groups	-	8,927.70	8,927.70
Payroll Deductions and Withholdings	-	11.00	11.00
Total Liabilities	-	8,938.70	8,938.70
Net Position:			
Held in Trust for Unemployment Claims and Other Purposes	15,133.15	-	15,133.15
Total Net Position	15,133.15	-	15,133.15
Total Liabilities and Net Position	$ 15,133.15	$ 8,938.70	$ 24,071.85

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

EXHIBIT B-8

SPRING LAKE HEIGHTS SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	UNEMPLOYMENT COMPENSATION TRUST
Additions:	
Contributions:	
Plan Member	$ 12,941.65
Cancellation of Prior Year Payable	-
Total Contributions	12,941.65
Investment Earnings:	
Interest	1.70
Net Investment Earnings	1.70
Total Additions	12,943.35
Deductions:	
Unemployment Claims	5,270.47
Total Deductions	5,270.47
Change in Net Position	7,672.88
Net Position - Beginning of Year	7,460.27
Net Position - End of Year	$ 15,133.15

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

APPENDIX C

FORM OF APPROVING LEGAL OPINION

MS&B McMANIMON • SCOTLAND • BAUMANN 75 Livingston Avenue, Roseland, NJ 07068 (973) 622-1800

_________, 2018

The Board of Education of the
Borough of Spring Lake Heights
in the County of Monmouth, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Borough of Spring Lake Heights in the County of Monmouth, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of $10,384,000 School Bonds dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on November 20, 2017 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on January 23, 2018 and (iii) a resolution duly adopted by the Board of Education on February 26, 2018. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

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

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,