**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 9, 2010**

**NEW ISSUE**

**Ratings: Standard & Poor's: "AA" (School Bond Reserve Act)**
**Standard & Poor's: "AA" (Underlying Rating)**
**(See "RATINGS" herein)**

*In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, assuming continuing compliance by the Board with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended ("Code"), for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein*

# $2,400,000
# THE BOARD OF EDUCATION OF THE TOWNSHIP OF BRICK
# IN THE COUNTY OF OCEAN, NEW JERSEY
# SCHOOL BONDS, SERIES 2010
# (CALLABLE) (BOOK-ENTRY ONLY) (BANK QUALIFIED)

**DATED: Date of Delivery** **DUE: March 1, as shown below**

The $2,400,000 School Bonds, Series 2010 (the "Bonds") of the Board of Education of the Township of Brick in the County of Ocean, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board and, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully-registered Bonds in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Bonds may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of $5,000 or any integral multiple of $1,000 in excess thereof. Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year until maturity or earlier redemption, commencing September 1, 2010. 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 proceeding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds).

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

| Year | Amount | Interest Rate | Yield | Year | Amount | Interest Rate | Yield |
|---|---|---|---|---|---|---|---|
| 2011 | $140,000 | % | % | 2019 | $160,000 | % | % |
| 2012 | 135,000 | | | 2020 | 165,000 | | |
| 2013 | 140,000 | | | 2021 | 170,000 | | |
| 2014 | 140,000 | | | 2022 | 180,000 | | |
| 2015 | 145,000 | | | 2023 | 185,000 | | |
| 2016 | 150,000 | | | 2024 | 190,000 | | |
| 2017 | 150,000 | | | 2025 | 195,000 | | |
| 2018 | 155,000 | | | | | | |

**This cover page contains certain information for quick reference only. It is <u>not</u> a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.**

*The Bonds are offered when, as and if issued and subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by the law firm of Decotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by its Counsel, Montenegro, Thompson, Montenegro & Genz, Brick, New Jersey. Phoenix Advisors, LLC has served as financial advisor in connection with the Bonds. The Bonds are expected to be available for delivery in definitive form through DTC in New York, New York on or about March 30, 2010.*

**ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON MARCH 17, 2010.**
**FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,**
**VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.**

**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF BRICK
IN THE COUNTY OF OCEAN, 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 or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Board. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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**OFFICIAL STATEMENT**
**Relating to**

**$2,400,000 SCHOOL BONDS, SERIES 2010**
**of**
**THE BOARD OF EDUCATION OF THE**
**TOWNSHIP OF BRICK IN THE**
**COUNTY OF OCEAN, NEW JERSEY**

## INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Board of Education of the Township of Brick in the County of Ocean, New Jersey (the "Board") in connection with the sale and the issuance of $2,400,000 School Bonds, Series 2010 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and may be distributed in connection with the sale of the Bonds.

## THE BONDS

General Description

The Bonds are dated their date of delivery, will mature on the dates and in the amounts and will bear interest payable semiannually, all as set forth on the cover page hereof. The Bonds may be purchased in book-entry only form in the amount of $5,000 or any integral multiple of $1,000 in excess thereof through book-entries made on the books of The Depository Trust Company, New York, New York ("DTC"), and its participants. So long as 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 directly to Cede & Co. (or any successor or assign) as nominee for DTC. Interest on the Bonds is payable initially on September 1, 2010 and semiannually thereafter on March 1 and September 1 (the "Interest Payment Dates") and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on February 15 and August 15 next preceding each interest payment date (the "Record Dates") for the payment of interest on the Bonds.

Book-Entry Only System

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

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

DTC, the world's largest 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 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board. 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 system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.**

<u>Discontinuation of Book-Entry Only System</u>

If the Board, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Board will attempt to locate another qualified Securities Depository. If the Board fails to find such Securities Depository, or if the Board determines, in its sole discretion, that it is in the best interest of the Board or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Board undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Board shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Bonds is discontinued, the Board has provided that upon receipt of the Bond certificates from DTC and the Participant information, the Board will authenticate (or cause to be authenticated) and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the Bond certificates so provided.

Redemption

The Bonds maturing prior to March 1, 2021 are not subject to redemption prior to their stated maturity dates. The Bonds maturing on or after March 1, 2021 are redeemable at the option of the Board, upon notice as set forth below, in whole or in part, on any date on or after March 1, 2020 at par plus accrued interest, if any, to the date fixed for redemption.

Notice of 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 The Depository Trust Company (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.

## AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are being issued pursuant to Chapter 24 of Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by the Board on July 24, 2008 and approved by the affirmative vote of a majority of the legal voters present and voting at the School District election held on December 9, 2008.

The proceeds of the Bonds will be used to: (a) undertake the installation of a photovoltaic roof-mounted solar panel system at Brick Township Memorial High School and (b) make the necessary onsite and offsite improvements and to purchase the necessary equipment associated with such work (the "Project"). The State of New Jersey (the "State") awarded State Aid to the Project in an amount of 40% of the total Project costs. The Board anticipates receiving this 40% in Debt Service Aid from the State to be applied to the Board's annual debt service payments associated with the Bonds.

## SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding general obligations of the Board, and the Board has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. Unless paid from other sources, the Bonds are payable from ad valorem taxes to be levied upon all the taxable real property within the School District without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights or to the application of general principles of equity by a court of competent jurisdiction.

**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")). The 2003 amendments to the School Bond Reserve Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to one and one half percent (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 one percent (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 limit 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 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 in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required making payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the reserve.

The Act further provides that the amount of payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the district, county or municipality and shall not obligate the State to make, nor entitle the district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

**THE SCHOOL DISTRICT**

General Information

The School District is a Type II (K through 12) school district coterminous with the boundaries of the Township of Brick located in the County of Ocean, New Jersey. The Superintendent of Schools is the chief administrative officer of the School District. The School Business Administrator/Board Secretary oversees the Board's business functions and reports through the Superintendent to the Board.

For more information regarding the School District and the tax base for the School District, please see “Appendix A: Certain Demographic Information Concerning the Township of Brick and the School District” and “Appendix B: Financial Statements of the Board of Education of the Township of Brick”.

## SUMMARY OF THE ELEMENTARY AND SECONDARY EDUCATION SYSTEM IN NEW JERSEY

The State's Constitution provides that the maintenance and the support of a thorough and efficient system of free public schools for the instruction of all children between the ages of 5 and 18 years is a legislative responsibility. Below is a summary of the role of the state.

### State Department of Education

The New Jersey Department of Education (the "Department") was created by the State Legislature to exercise general supervision and control of public education. The Department consists of the State Board and the Commissioner (as defined herein) and various divisions, bureaus and similar bodies established by statute.

### State Board of Education

The Department is guided by the policy established by the State Board of Education (the "State Board") which has the general supervision and control of all public education in the state, except higher education. The State Board is the head of the Department and adopts rules and regulations that have the effect of law and are binding upon local school districts. The State Board also decides on appeals from decisions of the Commissioner of Education (the “Commissioner”) on matters of school law or State Board regulations.

### Commissioner of Education

The Commissioner is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is the chief executive officer and secretary of the State Board and has the authority to recommend withholdings of State Financial Aid. The Commissioner's consent is required for authorization to sell school bonds that exceed the statutory debt limits, and the Commissioner also may set the amount to be raised by taxation in a school district in a fiscal year if a school budget has not been approved by the voters of the school district or by a Board of School Estimate, as the case may be, or by the governing body of the municipality.

### County Superintendents

County Superintendents are appointed by the Commissioner, with the approval of the State Board, to act as an agent of the Department in each county. They are charged with the enforcement of rules pertaining to the certification of teachers, financial reports and pupil registers in all school districts within their respective counties.

Categories of School Districts

New Jersey school districts are characterized by the manner in which the board of education, the governing body, takes office. Type I school districts, most commonly found in cities, have a board of education appointed by the mayor or the chief executive officer of the municipality. In a Type II school district, the board of education is elected by the voters of the school district. Regional school districts are similar to Type II school districts.

School districts are principally in the following categories:

1. Type I in which the governing body of a municipality appoints the members of a board of education and a board of school estimate, consisting of two members of the board of education and two members of the governing body and the chief executive of the municipality comprising a school district, approves all fiscal matters.

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

3. Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and vote upon all fiscal matters. Regional school districts may be all purpose grades K-12 or limited purpose school districts.

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

5. County vocational school districts in which the board of chosen freeholders of the county appoints the members of the board of education and a board of school estimate, consisting of two members appointed by the board of education, two 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, approves all fiscal matters.

6. County special services school districts in which the board of chosen freeholders of the county appoints the members of the board of education and a board of school estimate, consisting of two members appointed by the board of education, two members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, approves all fiscal matters.

School districts may change from Type I to Type II or Type II to Type I school districts only with the approval of the voters, and school districts may withdraw from or create new regional school districts only with the approval of the Commissioner of Education. The Board is a Type II School District without a board of school estimate.

## SUMMARY OF STATE AID TO SCHOOL DISTRICTS

General

In 1973, the Supreme Court of the State ruled in Robinson v. Cahill that the existing method of financing school costs principally through property taxation was unconstitutional. Pursuant to the

Supreme Court's ruling, the State Legislature enacted the Public School Education Act of 1975 (P.L. 1975, c. 212) which required funding of the State's school aid through a New Jersey Gross Income Tax Act (P.L. 1975, c. 47), enacted for the purpose of providing property tax relief.

On June 5, 1990, the Supreme 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 districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The court found that wealthy districts were able to spend more, yet tax less for educational purposes.

The Quality Education Act of 1990

The legislative response to Abbott v. Burke was the passage of the Quality Education Act of 1990 (the "QEA"), (P.L. 1990, c. 52), which was signed into law on July 3, 1990. QEA established a new formula for the distribution of state aid for public education, beginning with the 1991/92 fiscal year. The law provided a formula that took into account property values and personal income to determine a district's capacity to raise money for public education. A budgetary limitation, or "CAP" on expenditures, was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The QEA was amended and revised by Chapter 62 of the Pamphlet Laws of 1991 of New Jersey, effective March 14, 1991, and further amended by Chapter 7 of the Pamphlet Laws of 1993, effective July 14, 1993.

On July 12, 1994, the Supreme Court of New Jersey declared the school aid formula under QEA, as amended, unconstitutional on several grounds as it is applied to the 30 special needs school districts (the "Abbott Districts") in the ongoing litigation commonly known as Abbott v. Burke II. No specific remediation was ordered, but the Supreme Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that any new formula would be implemented in the 1997/98 fiscal period and thereafter.

Comprehensive Educational Improvement and Financing Act of 1996

In keeping with the Supreme Court's deadline, Governor Christine Todd Whitman signed into law on December 20, 1996 the Comprehensive Educational Improvement and Financing Act of 1996 ("CEIFA"). CEIFA affects how public schools are funded by the State, beginning in the 1997/98 fiscal year. CEIFA was recently amended by P.L. 2004, c.73, effective July 1, 2004, to among other provisions, lower the Spending Growth Limitation for school districts and recently further amended and superceded by P.L. 2007, c.62 to again affect how public schools are funded by placing a 4% cap on the amount that a school district can raise for its budget from property taxes.

Elements of the Comprehensive Plan

CEIFA departs from other funding formulas adopted in New Jersey by defining what constitutes a "thorough and efficient" education, which is what the New Jersey Constitution requires every public school student to receive. CEIFA further establishes the costs to provide each student with an education that is "thorough and efficient".

In defining what constitutes a "thorough" education, the New Jersey State Board of Education adopted a set of Core Curriculum Content Standards. The purpose of these standards is to provide all students with the knowledge and skills that will enable them to be productive citizens when they graduate from any New Jersey high school, regardless of the school's location or socioeconomic condition. CEIFA provides state aid assistance in the form of Core Curriculum Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Contents Standards.

The definition of an "efficient" education under CEIFA determines the cost to provide each student with an education that fulfills the requirements for the Core Curriculum Content Standards. The efficiency standard defines such things as optimal class size, administrators/teachers per student, schools per district, and the types and amount of classroom supplies, services, and materials. CEIFA establishes an approximate amount per student to educate each student at various grade levels in the Core Curriculum Content Standards. This amount will be adjusted biennially for inflation by the consumer price index.

In determining how much Core Curriculum Standards Aid a school district will receive, CEIFA considers each school district's financial ability to fund such a level of education. This component of CEIFA is referred to as the local share requirement, namely, the amount of taxes that a school district can raise relative to other school districts based on property wealth and income levels. The purpose of the Core Curriculum Standards Aid is to provide school districts with adequate State assistance that is proportionate to their ability to pay. The purpose of this type of aid is to ensure that all school districts have the economic ability to provide their students with the ability to achieve the Core Curriculum Content Standards. In addition to the Core Curriculum Standards Aid, CEIFA also provides per-pupil assistance from the state for special education, early childhood programs, demonstrably effective programs, instructional supplement, bilingual education, county vocational schools, and distance learning network.

CEIFA also limits the amount school districts can increase their annual current expenses and capital outlay budgets. Generally, budgets can increase by either 2.5% or the consumer price index, whichever is greater requirements and CEIFA lowered the budget cap from 3% to 2.5%. Budgets can also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceed $40,000 per pupil. Waivers are available from the Commissioner based on increasing enrollments and other fairly narrow grounds or by approval of the voters at the annual school election. The Spending Growth Limitation provision of CEIFA are superceded by P.L. 2007, c.62, effective April 3, 2007, to limit the amount a school district can 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 does provide 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 must be approved by the Commissioner.

Under CEIFA, rent payments made pursuant to a facilities lease purchase agreement entered into prior to December 20, 1996 for a term that exceeds five years are treated as debt service. These rent payments are not included in the spending limits and receive aid at the same level as debt service for the 1998/99 fiscal year. Rent payments under a facilities lease entered into pursuant to CEIFA, must be for a term of five (5) years or less, are budgeted in the general fund and are subject to a school district's spending growth limitation amounts.

On May 14, 1997, the New Jersey Supreme Court held that CEIFA was unconstitutional as it applied to the 28 special needs districts because (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education, and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. The Court recognized the Core Curriculum Standards as a valid means of identifying what is a "thorough and efficient" education under the State Constitution, but found that the state did not adequately determine or provide the adequate funding level to allow those standards to be met in the special needs districts. CEIFA was not held unconstitutional as applied to the non-special needs districts. The School District is not a special needs district.

The Court ordered the State (1) to increase State aid to the special needs districts for the 1997/98 school year to a level such that the per-pupil expenditure in such districts is equivalent to the average per-pupil expenditure in wealthy suburban districts, (2) through the Commissioner, to manage the additional spending to assure that it will be used to allow the students to meet the educational content standards, and (3) under the supervision of the Superior Court, Chancery Division, to determine a plan to provide supplemental educational and facilities programs in the special needs districts.

Provisions for the additional amounts of money were appropriated in previous State budgets. The Court has ruled that the Commissioner and the State Department of Education will be responsible for maintaining the educational system in accordance with the orders of the Court.

In response to the Court's order and in an attempt to remedy inadequacies that exist in the safety, the quality and the utility of state-wide school facilities, the New Jersey Legislature enacted the Educational Facilities Construction and Financing Act, 2000 N.J. Laws c.72 ("EFCFA"), which became law on July 18, 2000. EFCFA provides certain levels of funding for facilities' improvements for both special needs and non-special needs districts. Under EFCFA, special needs districts will receive State funding of 100% of the eligible costs of a school facilities project. The State will provide non-special needs districts with facilities aid in the amount of the greater of: (i) 115% of aid pursuant to CEIFA or, (ii) 40%, of the eligible costs of a school facilities project. A non-special needs district must elect to receive its level of facilities aid in either the form of a grant or ongoing annual debt service aid, however, at the current time no grant funds are available so all school district facilities aid is in the form of annual debt service aid. Debt service aid is funded by State appropriation and there is no legal requirement that the State must fund for 100% of its debt service aid obligation. However, the State has not, since 1999, failed to fund 100% of its debt service aid obligation. The School District is not a special needs district.

On December 28, 2000, a complaint was filed in the Superior Court of New Jersey challenging the constitutionality of the EFCFA and requesting, among other things, injunctive relief restraining the State and the New Jersey Economic Development Authority (the "EDA") from proceeding with the issuance of bonds to fund the State's financial obligations under the EFCFA. The complaint alleged that the voters of the State, under the Debt Limitation Clause of the State constitution, have and were deprived of the right to approve the issuance of the debt proposed to be issued under the EFCFA to fund the State's financial obligations.

On January 29, 2001 the Superior Court of New Jersey dismissed the case as a matter of law. On June 27, 2001, the Appellate Division affirmed the decision of the Superior Court by a vote of 2-1; because the vote was not unanimous, the plaintiff had a automatic right of appeal to the State Supreme Court. On January 2, 2002, the State Supreme Court heard the appeal and on August 21, 2002 the Court held that the EFCFA and its provisions authorizing the EDA's issuance of bonds do not violate the Debt Limitation Clause of the State constitution.

<u>The School Funding Reform Act</u>

On January 13, 2008, Governor Jon Corzine signed into law the School Funding Reform Act of 2008 (the "School Funding Reform Act") which provides how public schools are funded by the State, beginning in the 2008-09 fiscal year. The School Reform Act will increase State aid for education by approximately $532 million in the first year and guarantees a minimum two percent increase for every school district. The School Reform Act differs from CEIFA in that it blurs the distinction between Abbott and non-Abbott districts; and is used to distribute aid to all districts.

It also requires school districts to provide a local "fair share" contribution of property taxes to support schools and establishes an "adequacy budget" for each district. The adequacy budget is based on the expenditure needed to provide a "thorough and efficient" education. The school districts' "adequacy budget" is calculated by multiplying the base amount per pupil times the student enrollment of the district, and is then weighted to reflect the costs of various specialized student populations such as special education, at-risk, Limited English Proficiency (LEP), and combined at-risk/LEP pupils. The "adequacy budget" will be revisited every three years via an "Education Adequacy Report". During the interim years, the "adequacy budget" will be increased by the Consumer Price Index (CPI). The per pupil amount base established by the Education Adequacy Report" will become the basis for determining the school districts' base cost.

In addition, the School Reform Act requires certain districts to direct part of their State aid to property tax reduction if such district is spending above their adequacy budget and has school tax levies above their fair share contribution, as determined by the formula provided in the Act.

**SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS**

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. § 6301 et seq., is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Federal aid is generally received in the form of block grants.

**SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT**

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

Budgets and Appropriations (N.J.S.A. 18A:22-1 et seq. as amended by N.J.S.A. 18A:7A-1 et seq.)

School districts in New Jersey must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms 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 in a school district's budget must be approved by the board of education or the board of school estimate, as the case may be.

Limitation on Increases in the Budget (the "Cap")

Annual increases in a school district's budget are limited by law, subject to certain limited exceptions. Appropriations for the payment of debt service on bonds and notes are not subject to limitation and must be included in full in a school district's budget.

Uniform System of Bookkeeping (N.J.S.A. 18A:4-14)

Effective July 1, 1993, the State of New Jersey mandated that all school districts develop and implement accounting principles consistent with generally accepted accounting principles ("GAAP"). In addition, the districts are required to comply with the Uniform Minimum Chart of Accounts (Federal

Handbook 2R2) for their internal accounting reporting systems. The School District’s financial statements since the above effective date have been prepared in accordance with GAAP requirements.

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

Every board of education is required to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant who is either a certified public accountant or registered municipal accountant of New Jersey, or both, within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with 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 of its completion.

Issuance of Debt (N.J.S.A. 18A:24-1 et seq.)

Type I and Type II districts are authorized to issue bonds pursuant to the provisions of Chapter 24 of Title 18A. Among the provisions are requirements that (i) bonds must mature in annual installments within the statutory periods of maturity of the projects being financed but not exceeding forty years, (ii) debt must be authorized by a resolution of the board of education and approved by the legally-qualified voters of the school district at a school election or by the board of school estimate for certain Type II school districts or by the board of education and the board of school estimate and by ordinance of the municipal governing body of a Type I district, and (iii) there must be filed with the Director of the Division of Local Government Services in the state's Department of Community Affairs a supplemental debt statement by each municipality comprising a school district setting forth the amount of bonds and notes authorized. Generally, no additional debt may be authorized if the principal amount, when added to the net school debt previously authorized, exceeds a statutorily-prescribed percentage of the average equalized valuation of taxable property in a school district. A school district other than a regional district may also utilize its constituent municipality's remaining statutory borrowing power (that is, the excess of 4% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The school district also may authorize debt in excess of this limit and its own independent borrowing margin with the consent of the Commissioner and the Local Finance Board, a state regulatory body.

Borrowings on behalf of county vocational school districts and county special services school districts are done upon action by the board of education and the board of school estimate of such districts and adoption by a bond ordinance by the county board of chosen freeholders, notwithstanding any debt limitation or requirement for down payment of the county.

Temporary notes may be issued in anticipation of the issuance of permanent bonds in accordance with the provisions of law. A district’s temporary notes may be issued for one-year periods with the final maturity not exceeding five years from the date of original issuance, provided, however, that such notes shall not be renewed beyond the third anniversary date of the original notes unless an amount of such notes at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued is paid and retired in each year subsequent to such third anniversary date from funds other than the proceeds of obligations.

## 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 by counties and municipalities ("local units" or, individually, "local unit") 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. All bonds and notes issued by the local unit are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the local unit 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 Township of Brick has not exceeded its statutory debt limit. See “Appendix A: Certain Economic and Demographic Information Relating to the Township of Brick and the School District.”

Exceptions to Debt Limits - Extension of Credit

Municipalities may exceed their debt limits 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 local unit 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 local unit or substantially reduce the ability of the local unit 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 local unit 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).

Short-Term Financing

The Township may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s legally payable installment of the bonds in anticipation of which those notes are issued is paid and retired on or before each 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.

The 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. Every local unit 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.

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.

Miscellaneous Revenues

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.

Real Estate Taxes

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

Deferral of Current Expenses

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 a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

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, re-evaluation programs, revision and codification of ordinances, master plan preparations and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project, and emergency appropriations for other purposes may be funded by refunding bond ordinance over a period approved by the Local Finance Board.

## Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

## Operations of Utilities

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

## Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six 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 three 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.

## Appropriation "CAPS"

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A: 4-45. 1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate” if the index rate is greater than 2.5%. The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approve waivers for certain extraordinary costs identified by the statute, and voters may approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Township to levy ad valorem taxes upon all taxable real property within the Township to pay debt service on its bonds or notes.

Fiscal Year Adjustment Law

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the state fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six-month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because state aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the Act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one-time deficit for the six-month transition budget. The Act provides that the deficit in the six-month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six-month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one year unless the Local Finance Board permits the municipality to renew them for a further period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the Act is to assist municipalities that are heavily dependent on state aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the Act does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well. The Township of Brick has not changed its fiscal year.

State Supervision

State law authorizes state officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two successive years; which has a deficit greater than 4 percent of its tax levy for two successive years; which has failed to make payments due and owing to the state, county, school district or special district for two consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds 25 percent of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the

Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

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.

Upon the filing of certified adopted budgets by the municipality's local school district, fire district and the county, the tax rate is struck by the county Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, 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 for calendar-year municipalities are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal 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 of the delinquency and 18% per annum on any amount in excess of $1,500. Pursuant to c. 75, P.L. 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of $10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, a municipality must mail to each property-owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board 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 cancelled 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 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 report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire Annual Report for the Borough is on file with the Borough Clerk and is available for review during normal business hours.

## SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than nine (9) months after the end of each fiscal year (the “Annual Report”) commencing with the fiscal year ending June 30, 2010, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the “MSRB”). The notices of material events will be filed by the Board with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in “APPENDIX D - Form of Continuing Disclosure Certificate.” These covenants have been made to assist the Underwriter in complying with Rule 15c2-12. The Board previously failed to comply with Rule 15c2-12 in a timely manner. However, as of the date of this Official Statement, all appropriate filings and notices have been made and the Board is in compliance with the Rule with respect to its prior undertakings.

## LITIGATION

To the knowledge of the attorney for the Board, Montenegro, Thompson, Montenegro & Genz, Brick, New Jersey, 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 title of any of the present officers. Moreover, to the knowledge of the attorney for the Board, no litigation is presently pending or threatened that, in the opinion of the attorney for the Board, 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 attorney for the Board and delivered to the Underwriter of the Bonds at the closing.

## TAX MATTERS

The Board has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the “Code”). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Board with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Board has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Board will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Board. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Board in connection with the Bonds, and Bond Counsel has assumed compliance by the Board with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. Bond Counsel is rendering its opinion under existing law as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinion or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

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

Alternative Minimum Tax

Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy-five percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds is not subject to the alternative minimum tax on the increase adjustment described above.

Bank Qualification

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

Branch Profits Tax

Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax

Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

Other Federal Tax Consequences

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of each of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

Possible Government Action

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

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

## RATINGS

Standard & Poor's Rating Services, a division of the McGraw-Hill Companies (the "Rating Agency") has assigned its rating of "AA" to the Bonds based upon the additional security provided by the School Bond Reserve Act. In addition, the Rating Agency has its rating of "AA" to the Bonds based upon the underlying credit of the School District.

The ratings reflect only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. 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.

## UNDERWRITER

The Bonds have been purchased from the School District at a public sale by ______________ at a purchase price of $_______ (representing the principal amount of the Bonds, plus an original issue premium of $_____). The Underwriter has purchased the Bonds in accordance with the Notice of Sale.

The Underwriter intends to offer the Bonds to the public initially at the offering prices or yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower or yields higher than the public offering prices or yields set forth on the cover page of this Official Statement.

## LEGALITY FOR INVESTMENT

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

## FINANCIAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey served as financial advisor to the Board (the "Financial Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Financial Advisor. Certain information set forth herein has been obtained from the Board and Other Sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Financial Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

## MUNICIPAL BANKRUPTCY

The undertakings of the Board should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994 and other bankruptcy laws affecting creditor's rights and local political subdivisions in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX 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 Act.

## 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 Decotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for the Board by its Counsel, Montenegro, Thompson, Montenegro & Genz, Brick, New Jersey.

## PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchasers of the Bonds, by certificates signed by the Board Secretary, that to his knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Bond Counsel has not 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.

## ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to James J. Edwards, Jr., CPA, Business Administrator/Board Secretary, at 732-785-3000 or by contacting the Board's Financial Advisor, Phoenix Advisors, LLC at 609-291-0130.

## MISCELLANEOUS

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

**THE BOARD OF EDUCATION OF THE**
**TOWNSHIP OF BRICK**
**IN THE COUNTY OF OCEAN, NEW JERSEY**

____________________________
**James W. Edwards, Jr., CPA**
**Business Administrator/Board Secretary**

Dated: _______, 2010

## APPENDIX A

## CERTAIN DEMOGRAPHIC INFORMATION CONCERNING THE TOWNSHIP OF BRICK AND THE SCHOOL DISTRICT

## CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE TOWNSHIP OF BRICK AND THE SCHOOL DISTRICT

### THE SCHOOL DISTRICT

**General Information**

The School District is a Type II (K through 12) school district coterminous with the boundaries of the Township of Brick located in the County of Ocean, New Jersey.

**Staff**

The Superintendent of Schools is the chief administrative officer of the School District. The School Business Administrator/Board Secretary oversees the Board's business functions and reports through the Superintendent to the Board. There are approximately 1,619 contractual employees of the School District, of which approximately 900 are teaching professionals.

**Pupil Enrollments**

The following table presents the historical pupil enrollments for the School District, including special education.

Pupil Enrollments

| School Year | Enrollment |
|---|---|
| 2004/05 | 11,357 |
| 2005/06 | 10,933 |
| 2006/07 | 10,797 |
| 2007/08 | 10,569 |
| 2008/09 | 10,398 |
| 2009/10 | 10,280 |

Source: Comprehensive Annual Financial Reports and the Board.

**Pensions**

The teachers and members of the professional staff are enrolled in the New Jersey Teachers' Pension & Annuity Fund ("TPAF"). All other eligible board employees are enrolled in the Public Employees' Retirement System ("PERS"). Both TPAF and PERS are administered by the Division of Pensions, within the Department of the Treasury of the State of New Jersey.

**Description of Instructional Program and Facilities**

The School District currently provides education for students grades K-12 including special education. The Board operates 12 school buildings: Primary Learning Center, Drum Point, Emma Havens Young, Herbertsville, Lanes Mill, Midstreams, Osbornville and Veterans Elementary Schools; the Lake Riviera and Veterans Memorial Middle Schools and the Brick Memorial and Brick Township Senior High Schools. The School District also operates a special education program at the Educational Enrollment Center.

**Financial Operations**

The following table summarizes information on changes in financial resources and fund balance for fiscal years 2008/09 and 2007/08 for the General Fund.

| | 2009 | 2008 |
|---|---|---|
| Revenues: | | |
| State Aid | $45,578,150 | $52,102,169 |
| District Tax | 88,636,073 | 84,398,425 |
| Federal Aid | 70,276 | 48,105 |
| Miscellaneous | 2,214,463 | 1,030,356 |
| Total Revenues | $136,498,962 | $137,579,055 |
| Expenditures: | $134,818,881 | $135,786,288 |
| Other Financing Sources/(Uses) | 0 | ($100,000) |
| Net Change in Fund Balance | $1,680,081 | $1,692,767 |
| Fund Balance, Beginning of Year | $7,649,377 | $5,956,610 |
| Fund Balance, End of Year | $9,329,458 | $7,649,377 |

Source: Comprehensive Annual Financial Report for the years ended June 30, 2009 and 2008

**Fiscal 2009/10 Budget**

The Board must submit its budget for voter approval. Annual increases in its net budget are limited by the Quality Education Act of 1990, as amended. The net budget is the sum of all state aid (exclusive of pension aid) and the Local Tax Levy (exclusive of debt service and miscellaneous revenue). The Board's General Fund Budget for the 2009/10 fiscal year is $136,053,176. The major sources of revenue were $92,283,913 from the local tax levy and $39,822,744 from various state aid programs. The major areas of expenditure were for regular and special education tuition, salaries and benefits, and transportation.

**Budget History**

The Board must submit its budget for voter approval. The results of the last five years' budget elections are as follows:

| Budget Year | Budget Category | Budget Amount | Election Result |
|---|---|---|---|
| 2009/10 | General Fund | $136,053,176 | Defeated |
| 2008/09 | General Fund | 133,745,531 | Defeated |
| 2007/08 | General Fund | 124,227,232 | Approved |
| 2006/07 | General Fund | 120,026,264 | Defeated |
| 2005/06 | General Fund | 114,444,374 | Approved |

**Short-Term Debt**

The School District has no short-term debt outstanding.

**Long-Term Bonded School Debt**

As of December 31, 2009 and prior to the issuance of the Bonds, the School District has $24,624,000 long-term debt outstanding. Below is a summary detailing the annual debt service payments for the School District prior to the issuance of the Bonds:

| | Annual Payments School District Bonds | | |
|---|---|---|---|
| Year Ending June 30 | Principal | Interest | Total Principal and Interest |
| 2010 | $1,945,000 | $640,966.42 | $2,585,966.42 |
| 2011 | 2,000,000 | 920,490.02 | 2,920,490.02 |
| 2012 | 2,045,000 | 844,040.02 | 2,889,040.02 |
| 2013 | 1,805,000 | 769,015.02 | 2,574,015.02 |
| 2014 | 1,800,000 | 712,040.02 | 2,512,040.02 |
| 2015 | 1,845,000 | 645,327.52 | 2,490,327.52 |
| 2016 | 1,905,000 | 581,127.52 | 2,486,127.52 |
| 2017 | 1,980,000 | 499,177.52 | 2,479,177.52 |
| 2018 | 2,060,000 | 408,146.26 | 2,468,146.26 |
| 2019 | 1,720,000 | 314,171.26 | 2,034,171.26 |
| 2020 | 1,710,000 | 243,821.26 | 1,953,821.26 |
| 2021 | 1,710,000 | 161,921.26 | 1,871,921.26 |
| 2022 | 1,710,000 | 79,971.26 | 1,789,971.26 |
| Total: | $24,624,000 | $6,828,328.49 | $31,452,238.49 |

**Debt Limit of the School District (as of June 30, 2009)**

The debt limitations of the Board are established by statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuations of its constituent municipalities before requiring approval by state regulatory authorities.

| | |
|---|---|
| Average Equalized Real Property Valuation (2006, 2007 and 2008) | $12,623,808,621 |
| Permitted Debt Limitation (4.0% of the Equalized Real Property Valuation) | $504,952,345 |
| Less: Serial Bonds Issued as of June 30, 2009 (Net Debt) | $27,949,485 |
| Remaining Limitation of Indebtedness | $477,002,860 |
| Percentage of Net School Debt to Average Equalized Valuation | 0.22% |

Source: Comprehensive Annual Report of the School District for year ending June 30, 2009

## Lease Purchase Financing

The School District has entered into several capital leases for technology improvements, copiers, buses, textbooks and vehicles.

The following is a schedule of future minimum lease payments under the capital leases as of June 30, 2009:

| Year Ended June 30 | Amount |
|---|---|
| 2010 | $1,822,579 |
| 2011 | 863,304 |
| 2012 | 791,057 |
| 2013 | 451,713 |
| Total Minimum Lease Payments: | $4,923,554 |

## Loan Financing

The School District borrowed from the New Jersey Economic Development Authority $1,154,850 for a twenty year period at an interest rate of 1.50% and $3,464,550 for a twenty year period at an interest rate of 5.288% on August 18, 1993. Principal and interest due on the loans payable are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $277,137 | $56,656 | $333,793 |
| 2011 | 286,358 | 44,971 | 331,329 |
| 2012 | 296,055 | 32,786 | 328,841 |
| 2013 | 306,494 | 20,069 | 326,563 |
| 2014 | 317,432 | 6,786 | 324,218 |
| Total: | $1,483,482 | $161,268 | $1,644,750 |

## Tax Levies and Collections

The following is a comparison of tax levies and collections currently for the School District:

| Year | Tax Levy | Cash Collection | Percentage of Collection |
|---|---|---|---|
| 2009 | $93,644,431 | $93,644,431 | 100% |
| 2008 | 91,348,419 | 91,348,419 | 100 |
| 2007 | 87,119,475 | 87,119,475 | 100 |
| 2006 | 82,751,688 | 82,751,688 | 100 |
| 2005 | 78,104,225 | 78,104,225 | 100 |

Sources: Comprehensive Annual Financial Report of the Board, for the fiscal year ended June 30, 2009.

**ECONOMIC AND DEMOGRAPHIC INFORMATION
OF THE TOWNSHIP OF BRICK**

## General

The Township is a municipal corporation, which was incorporated in 1850. The Township covers a land area of 26.4 square miles in the northeastern section of the County of Ocean in the east central area of the State of New Jersey (the “State”) along the Atlantic Ocean. The Township is situated approximately 65 miles south of New York City and about 60 miles east of the Camden-Philadelphia metropolitan area. It is readily accessible from both metropolitan areas, and the Garden State Parkway links it directly with many points in the Northern New Jersey-New York Area. The Township shares in the marine and outdoor oriented activities present along New Jersey's Atlantic Coast.

## Governmental Structure

The Township operates under a Mayor-Council form of government. The Mayor is elected for a four year term without limitation as to the number of terms. The Township Council consists of seven persons, elected biennially, for staggered four-year terms. In November 1988, the voters approved a referendum which returned the Township to the partisan system of government. As a result, Township elections, which had been held in May, are now held in November. All positions on the Township Council were contested in the elections of November 1989. To ensure staggered terms in the future, four of the seats were made available for only two years, instead of four. Commencing with the November 1991 election, all terms are for four years.

The Mayor is the chief executive and administrative officer in the Township and, as such, is responsible for administering local laws and policy development. The specific powers of the Mayor include various appointments, preparation of the Township's budget, and approval or veto (which may be overridden by a 2/3 vote of the Township Council) of the ordinances adopted by the Township Council. The Mayor appoints, with the advice and consent of the Township Council, the Business Administrator, the Township Attorney, and the Directors of the Departments of Public Safety, Engineering and Public Works.

All legislative powers of the Township are exercised by the Township Council, including final adoption of spending legislation such as budgets and bond authorizations. In addition to its legislative powers, the Township Council may also conduct such investigations as it deems appropriate.

## Principal Governmental Services

There are six departments within the municipal government which include: Administration, Law, Finance, Public Safety, Public Works and Engineering. Principal services provided by the municipal government include police protection, street maintenance and cleaning, and parks and recreation. Fire protection is provided through special fire districts supported by a separate tax levy.

## Background

Brick Township has evolved over the course of its history into one of New Jersey's most thriving, successful communities. The history of the Township is comprised of four developmental eras. Each era has its own unique characteristics.

The first era was that of the Native American Lenni Lenape Indians. Their existence in the Township was based on subsistence agriculture, fishing, hunting and gathering.

It is believed that the Europeans first visited the area as early as the 1660s and settled in 1742, displacing the Indians from the land. Their arrival heralded the opening of the European Settlement Era of the Township's history. Settlement grew as people were attracted to the area to take advantage of local timber, iron deposits and other natural resources.

The next era was the Expansion Era. Beginning with municipal incorporation in May 1850, the Township derived its name from iron magnate Joseph W. Brick. At this time the Township shifted its emphasis from iron production to agriculture, particularly cranberry and blueberry cultivation, and to the sea.

The opening of the Garden State Parkway in the 1950s marked the beginning of the Modern Era, and set off a tremendous period of growth and evolution that is still continuing today. During this time, the population of the Township exploded from slightly over 4,000 in 1950 to over 70,000 in 1995. The Township became both a suburban community and summer resort. In the mid-1960s a change in government occurred as the committee form was replaced by a mayor and seven member council form. A police department was phased in during the early 1970s.

Today, the Township looks to the future. With the Township nearly fully developed, emphasis now shifts to refining that development.

## Employment and Unemployment Comparisons

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

| | Total Labor Force | Employed Labor Force | Total Unemployment | Unemployment Rate |
|---|---|---|---|---|
| Township of Brick | | | | |
| 2008 | 40,918 | 38,610 | 2,308 | 5.60% |
| 2007 | 40,736 | 39,036 | 1,700 | 4.20 |
| 2006 | 40,883 | 39,062 | 1,821 | 4.50 |
| 2005 | 40,183 | 38,457 | 1,726 | 4.30 |
| 2004 | 41,597 | 39,905 | 1,692 | 4.10 |
| County of Ocean | | | | |
| 2008 | 260,053 | 244,509 | 15,544 | 6.00% |
| 2007 | 257,602 | 245,899 | 11,703 | 4.50 |
| 2006 | 257,236 | 244,473 | 12,763 | 5.00 |
| 2005 | 252,445 | 240,685 | 11,761 | 4.70 |
| 2004 | 246,658 | 234,349 | 12,309 | 5.00 |
| State of New Jersey | | | | |
| 2008 | 4,496,700 | 4,251,200 | 245,500 | 5.50% |
| 2007 | 4,466,300 | 4,276,600 | 189,700 | 4.20 |
| 2006 | 4,492,800 | 4,283,600 | 209,200 | 4.70 |
| 2005 | 4,431,600 | 4,232,800 | 198,700 | 4.50 |
| 2004 | 4,373,000 | 4,157,500 | 215,500 | 4.90 |

Source: State of New Jersey, Department of Labor, Division of Labor Market and Demographic Research

## Largest Employers

The following represent some of the largest employers in the Township with approximate employment as of June 2009:

| | |
|---|---|
| Brick Township Board of Education | 1,600 employees |
| Meridian Health Care | 1,400 employees |
| Township of Brick | 628 employees |
| Walmart | 305 employees |
| Target | 214 employees |

Source: Brick Township Official Statement dated November 10, 2009.

## Population

| Year | Brick Township | Ocean County | State of New Jersey |
|---|---|---|---|
| 2008* | 78,419 | 569,111 | 8,707,739 |
| 2007* | 78,286 | 565,493 | 8,682,661 |
| 2000 | 76,119 | 510,916 | 8,424,354 |
| 1990 | 66,473 | 433,203 | 7,905,880 |
| 1980 | 53,629 | 346,038 | 7,364,823 |
| 1970 | 35,057 | 208,270 | 7,171,112 |
| 1960 | 16,299 | 108,192 | 6,066,782 |

* estimate

Source: United States Census Bureau, Population Division.

Much of the population growth in the Township was the result of several factors: the influx of year-round occupancy; the diversion of growth to areas outside the protected area of the State known as the Pinelands; the influx of senior citizen housing projects; the availability of vacant land zoned and suitable for housing; and the continued strength of the resort economy.

The Township's population composition, according to the 2000 U.S. Census has changed slightly. The population aged 65 years and older has decreased since 1990 and now comprises approximately 16.6% of the population. In 1990, 17.3% of the population significantly increased, up from 10% in 1970 and 15% in 1980. Accordingly, the population aged 24 and under decreased from 49.5% of the total population in 1970 to 38% in 1980 and 31.9% in 1990.

Population density in the Township has increased. In 1970, there were 1,328 persons per square mile. In 1980, the population density was 2,031 persons per square mile, in 1990 the figure had increased to 2,518 persons per square mile, and in 2000 the figure increased to 2,901 per square mile.

## Largest Taxpayers

The following table lists the ten largest taxpayers in the Township and their assessed value.

| Taxpayer | Nature of Business | 2008 Assessed Value | 2008 Taxes |
|---|---|---|---|
| Federal Realty Investment Trust | Retail | $30,970,700 | $1,202,592 |
| Bricktown VF LLC | Retail | 20,886,700 | 811,031 |
| Waterside Gardens Apartment | Apartment | 15,100,000 | 586,333 |
| Super Intermediateco LLC | Retail | 14,360,000 | 558,604 |
| Kentwood Construction | Apartment | 11,931,000 | 464,116 |
| Crescent Center Assoc | Retail | 9,200,000 | 357,236 |
| Lowes Home Center Inc | Retail | 8,281,000 | 321,551 |
| Dayton Hudson/Mervyn | Retail | 7,250,000 | 281,518 |
| Hovcare of Brick Inc | Assisted Living | 6,960,000 | 270,257 |
| Laurelton Gardens Cooperative Inc | Residential Cooperative | 6,600,500 | 256,759 |
| | TOTAL | $131,539,900 | $5,109,997 |

Source: Township of Brick

**Tourism**

As noted, the Township has traditionally been a very popular resort community. However, there has been an increasing trend for former summer residents to convert their homes to year-round residences. 2000 Census figures show 32,689 housing units in the Township of which 29,511 were residences occupied year round. According to the 1990 Census figures show 28,843 housing units in the Township, of which 24,965 were residences occupied year round. In the 1980 U.S. Census, there were 22,025 housing units, of which 20,753 were occupied year round. One indication of the importance of the recreational aspects of the Township is that according to land use statistics for 1964, 27 acres were used for marine purposes, compared to 117 acres in 1980. Overall recreational area, as of December 31, 2000, totaled approximately 3,337 acres.

**Construction and Improvements**

Application must be made to the Township's Planning Board for approval of minor subdivisions, major subdivisions and site plans for commercial or apartment/condominium projects. For large developments, preliminary approval is necessary for the concept, followed by final approval before construction begins. The following table shows the minor (3 lots or less) and major subdivisions approved for construction for commercial or apartment/condominium projects. Also shown are all residential building permits granted for the past five years.

| Year | Minor and Major Subdivisions | Residential Building Permits |
|---|---|---|
| 2008 | 16 | 4,268 |
| 2007 | 19 | 4,556 |
| 2006 | 15 | 3,065 |
| 2005 | 13 | 3,943 |
| 2004 | 23 | 4,934 |
| 2001 | 23 | 5,328 |

Sources: Township Assessor and Township Building Department.

## Fiscal 2009 Budget

The Township's fiscal 2009 budget was approved by the Township Council on March 31, 2009. The fiscal 2009 budget, as adopted, anticipates total general appropriation of $75,478,495, of which $48,960,127 is anticipated to be raised from local current property tax, including the Reserve for Uncollected Taxes, and $26,691,297 is anticipated to be raised by other revenues (including surplus, miscellaneous revenues and receipts from delinquent taxes). For a discussion of the State law which limits municipal expenditures see "Appropriations "CAP". In addition to the municipal portion of the budget, the Township collects taxes on behalf of three fire districts, the Board and the County.

Chapter 75 of the Laws of New Jersey of 1991 requires municipalities with populations of over 35,000 (and certain other municipalities) to adopt a July 1 fiscal year commencing July 1, 1991. The Township received a waiver of this requirement in order that it may maintain a January 1 fiscal year.

## Property Taxes

The following table details the general tax rates for the Township for the past five years.

| Year | Assessed | Total Tax Rate per $100 | Municipal | County | School | Equalization Valuation |
|---|---|---|---|---|---|---|
| 2009 | $4,709,288,900 | $3.885 | $1.048 | $0.851 | $1.986 | $12,638,073,138 |
| 2008 | 4,692,732,300 | 3.800 | 1.008 | 0.848 | 1.944 | 12,926,077,645 |
| 2007 | 4,676,831,200 | 3.577 | 0.912 | 0.804 | 1.860 | 12,889,743,222 |
| 2006 | 4,662,132,804 | 3.398 | 0.863 | 0.762 | 1.774 | 12,073,730,213 |
| 2005 | 4,622,483,000 | 3.233 | 0.808 | 0.739 | 1.686 | 8,939,574,005 |

Source: County Abstract of Ratables.

## Assessed Value Classification

| | Classification ($ in thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | Residential | Apartment | Commercial | Industrial | Vacant | Farm | Total |
| 2009 | $4,115,209 | $47,851 | $468,779 | $9,239 | $68,116 | $96 | $5,045,789 |
| 2008 | 4,091,642 | 53,882 | 459,046 | 10,405 | 77,861 | 96 | 4,692,932 |
| 2007 | 4,067,300 | 54,472 | 464,923 | 10,645 | 79,395 | 96 | 4,676,831 |
| 2006 | 4,039,070 | 54,472 | 476,405 | 8,979 | 76,456 | 96 | 4,655,478 |
| 2005 | 4,007,550 | 55,054 | 471,112 | 8,979 | 79,692 | 96 | 4,622,483 |

Source: Township Tax Assessor and County Abstract of Ratables.

## Comparison of Tax Levies and Collections

| | | Currently | |
|---|---|---|---|
| Year | Tax Levy | Cash Collection | Percentage of Collection |
| 2008 | $182,034,366 | $182,834,000 | 98.51% |
| 2007 | 172,041,534 | 169,415,962 | 98.21 |
| 2006 | 162,940,614 | 160,546,414 | 98.53 |
| 2005 | 154,162,182 | 151,938,457 | 98.55 |
| 2004 | 142,752,418 | 140,737,736 | 98.58 |

**TOWNSHIP OF BRICK**
**DEBT STATEMENT**
**As of December 31, 2009**

## DIRECT DEBT

| | |
|---|---|
| **Gross Debt:** | |
| Bonds and Notes Issued | |
| General | $86,156,135 |
| School District | 25,021,349 |
| Other Bonds, Notes and Loans | 4,743,958 |
| Total: | $115,921,442 |
| Bonds and Notes Authorized but not Issued | |
| General | $9,622,370 |
| School District | 0 |
| Other Bonds, Notes and Loans | 0 |
| Total: | $9,622,370 |
| **Total Gross Debt** | **$125,543,812** |
| **Net Debt:** | |
| Applicable Deduction for Gross Debt: | |
| General | $0 |
| School District | 25,021,349 |
| Other Bonds, Notes and Loans | 800,000 |
| **Total Deductions** | **$25,821,349** |
| **Total Net Debt:** | **$99,722,463** |

## OVERLAPPING DEBT (AS OF DECEMBER 31, 2008)

| Name of Related Entity | Principal Amount | Township Share |
|---|---|---|
| Brick Township Municipal Utilities Authority (1) | $84,653,514 | $84,653,514 |
| Ocean County | 378,719,000 | 45,143,305 |
| Ocean County Utilities Authority | 295,399,859 | 31,694,995 |
| Net Indirect Debt | | $161,491,814 |
| Net Direct Debt | | $99,722,463 |
| Total Net Direct and Indirect Debt | | $261,214,277 |

(1) The Brick Township Municipal Utilities debt is payable from revenues of the Brick Township Municipal Utilities and is self-supporting.

**DEBT LIMIT**

The following table shows the Township's debt capacity as of December 31, 2009 for capital purposes.

| | |
|---|---|
| Three Year Average Equalized Valuation (2007, 2008, 2009) | $12,814,141,364 |
| Statutory Borrowing Capacity<br>(3.5% of Equalized Valuation Basis) | 448,494,948 |
| Net Bonded Municipal Debt as of December 31, 2008 | 99,722,463 |
| Remaining Borrowing Capacity | $348,772,485 |
| Percentage of Net Debt to Average Equalized Valuation | 0.778% |

Source: Township of Brick 2009 Annual Debt Statement

# APPENDIX B

## FINANCIAL STATEMENTS OF
## THE BOARD OF EDUCATION OF THE TOWNSHIP OF BRICK

**JUMP, SCUTELLARO AND COMPANY, L.L.P.** CERTIFIED PUBLIC ACCOUNTANTS
12 LEXINGTON AVENUE CN 2044 · TOMS RIVER, NJ · 08754 · PHONE (732) 240-7377 · FAX (732) 505-8307 · WEBSITE: jumpcpa.com

UNQUALIFIED OPINION ON BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY SCHEDULE OF FEDERAL AWARDS AND OTHER SUPPLEMENTARY
INFORMATION- GOVERNMENTAL ENTITY

The Honorable President and
Members of the Board of Education
Brick Township Board of Education
County of Ocean
Brick, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Brick Township Board of Education, County of Ocean, State of New Jersey, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Brick Township Board of Education's management. Our responsibility is to express an opinion 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 standard applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund and the aggregate remaining fund information of the Brick Township Board of Education, County of Ocean, State of New Jersey, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 19, 2009 on our consideration of the Brick Township Board of Education's internal control over the financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



PENNSYLVANIA OFFICE: 1000 GERMANTOWN PIKE · SUITE H-1 · PLYMOUTH MEETING, PA · 19462 · PHONE (610) 275-0356 · FAX (610) 275-0894

The Management's Discussion and Analysis and Budgetary Comparison Information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brick Township Board of Education's basic financial statements. The accompanying introduction section, and other supplementary information such as combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non- Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit for Recipients of Federal Grants, State Grants, and State Aid* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

JUMP, SCUTELLARO AND COMPANY, L.L.P.

Kathryn Perry
Licensed Public School Accountant
No. CS 20CS00226400

Toms River, New Jersey
October 19, 2009

**BRICK TOWNSHIP BOARD OF EDUCATION**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**
**UNAUDITED**

The discussion and analysis of Brick Township Board of Education District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information Section specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2008-2009) and the prior year (2007-2008) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets decreased $149,336, which represents a 0.72% percent decrease from 2008.

- General revenues accounted for $136,564,413 in revenue, or 92 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $11,290,887 in revenue, or 7 percent of total revenues.

- The School District had $148,004,636 in expenses, only $9,038,306 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily tax levy and unrestricted state aid) of $136,564,413 were adequate to provide for these programs.

- Among governmental funds, the General Fund had $136,498,962 in revenues and $134,818,881 in expenditures. The General Fund's fund balance increased $1,680,081 over 2008.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Brick Township Board of Education as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Brick Township Board of Education, the General Fund is by far the most significant fund.

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008-2009?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

**Reporting the School District as a Whole (continued)**

**Statement of Net Assets and the Statement of Activities (Continued)**

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Government activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

- Business-Type Activity - This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service Enterprise fund is reported as a business activity.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

**Governmental Funds**

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that

**Reporting the School District's Most Significant Funds (continued)**

**Governmental Funds (continued)**

can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Enterprise Fund**

The enterprise fund uses the same basis of accounting as business-type activities; therefore these statements are essentially the same.

**The School District as a Whole**

Recall that the statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2009. The 2008 figures are provided for comparison.

**Table 1**
**Net Assets**

| **Assets** | **2009** | **2008** |
|---|---|---|
| Current and Other Assets | $ 14,253,784 | $ 14,195,346 |
| Capital Assets | 50,972,540 | 53,901,023 |
| Total Assets | 65,226,324 | 68,096,369 |
| | | |
| **Liabilities** | | |
| Long-Term Liabilities | 34,582,502 | 37,688,320 |
| Other Liabilities | 9,959,350 | 9,574,241 |
| Total Liabilities | 44,541,852 | 47,262,561 |
| | | |
| **Net Assets** | | |
| Invested in Capital Assets, Net of Debt | 21,910,861 | 21,452,970 |
| Restricted | 6,023,752 | 4,933,350 |
| Unrestricted | (7,250,141) | (5,552,512) |
| **Total Net Assets** | 20,684,472 | 20,833,808 |

**Reporting the School District's Most Significant Funds (continued)**

**Governmental Funds (continued)**

The District's combined net assets were $20,684,472 on June 30, 2009. This was a decrease of .72 percent from the prior year.

Table 2 shows changes in net assets for fiscal year 2009. 2008 figures are included for comparison.

**Table 2**
**Changes in Net Assets**

| **Revenues** | **2009** | **2008** |
|---|---|---|
| Program Revenues: | | |
| Charges for Services | $2,252,581 | $ 2,392,515 |
| Operating Grants & Contributions | 9,038,306 | 13,580,603 |
| General Revenues: | | |
| Property Taxes | 91,471,640 | 86,975,325 |
| Grants and Entitlements | 42,725,586 | 44,000,870 |
| Other | 2,367,187 | 1,144,174 |
| Total Revenues | 147,855,300 | 148,093,487 |
| | | |
| **Program Expenses** | | |
| Instruction | 58,507,010 | 57,421,123 |
| Support Services: | | |
| Pupils and Instructional Staff | 21,767,187 | 20,598,398 |
| General Administration, School Admin, Business, Operations & Maintenance of Facilities | 54,727,712 | 58,462,528 |
| Pupil Transportation | 9,655,828 | 9,513,931 |
| Business Type Activities | 3,283,769 | 3,229,073 |
| Other | 0 | 1,115,269 |
| Total Expenses | 148,004,636 | 150,340,322 |
| Increase (decrease) in Net Assets | (149,336) | (2,246,835) |

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 62 percent of revenues for governmental activities for the Brick Township Board of Education for fiscal year 2009.

Instruction comprises 38 percent of district expenses. Support Services expenses make up 38 percent of the expenses.

**Reporting the School District's Most Significant Funds (continued)**

**Governmental Activities (continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

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 condition.

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

**Business-Type Activities**

Revenues for the District's business-type activity were comprised of charges for service. This service is Food Service. Overall business type expenditures exceeded revenues by $1,031,188.

**The School District's Funds**

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to $144,620,843 and expenditures were $147,989,808.

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 funds for the fiscal year ended June 30, 2009 and the amount and percentage of increase and decrease in relation to prior year revenues.

**Reporting the School District's Most Significant Funds (continued)**

**The School District's Funds (continued)**

| Revenue | Amount 2009 | Percent of Total | Increase FY 2008 | Percent Increase (Decrease) |
|---|---|---|---|---|
| Local Sources | $ 93,820,713 | 64.83% | $ 3,308,600 | 3.66% |
| State Sources | 46,630,089 | 32.22% | (5,945,592) | -11.31% |
| Federal Sources | 4,261,201 | 2.94% | (744,591) | -14.87% |
| **Total** | 144,712,003 | 100.00% | (3,381,484) | -2.28% |

Local revenues increased by $5,557,873. The increase in local revenue was due to increases in the local tax levy, interest received and miscellaneous revenue.

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2009, and the percentage of increases and decreases in relation to prior year amounts.

| Expenditures | Amount 2009 | Percent of Total | Change from FY 2008 | Percent Increase (Decrease) |
|---|---|---|---|---|
| Current: | | | | |
| Instruction | $ 54,902,589 | 37.05% | $ 485,454 | 0.89% |
| Undistributed | 79,633,029 | 53.74% | (839,843) | -1.04% |
| Capital Outlay | 401,868 | 0.27% | (106,421) | -20.94% |
| Special Schools | 65,556 | 0.04% | (322,436) | -83.10% |
| Special Revenue | 4,853,719 | 3.28% | (831,110) | -14.62% |
| Debt Service: | | | | |
| Principal | 7,044,571 | 4.75% | 5,319,430 | 308.35% |
| Interest | 1,272,637 | 0.87% | 110,601 | 9.52% |
| **Total** | 148,173,969 | 100.00% | 3,815,675 | 2.64% |

Changes in expenditures were the results of varying factors. Current expense increased due to increased fuel, insurance, and utility costs.

**Reporting the School District's Most Significant Funds (continued)**

**General Fund Budgeting Highlights**

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

Over the course of the year, the Board of Education, when appropriate, and in accordance with regulations, approved budget transfers to keep accounts in balance. Transfers to the budget were made to accurately reflect expenditures according to state guidelines and prevent over-expenditures in specific line item accounts.

The Brick Township Board of Education has made every effort to control spiraling costs of Health and Liability Insurance. To date, enrollment in Horizon's Minimum Premium Program has assisted the District in controlling medical expenses. As a result of continuous comparison and evaluation, the District changed the structure of its prescription plan during the course of the year. This change should assist in slowing skyrocketing increases in costs seen statewide.

**For the Future**

The 2009-2010 school district budget was defeated by the voters of the community. Efforts over the years to direct a maximum amount of tax dollars to direct instruction has caused the district to lower funds allocated for school improvement projects. A referendum in the form of four questions addressing safety and security measures, energy and efficiency measures, improvements to the PLC and EEC for a preschool/full day kindergarten initiative, and improvements to Brick Township High School is planned for September 2009.

The District continually evaluates ways to maximize dollars while maintaining and improving programs. Plans to change school times and revise bus schedules will reduce district costs without reducing programs.

School District budgets need to be focused upon the goals and objectives of the educational programs and should be the ultimate financial expression of those program initiatives.

**Contacting the School District's Financial Management Office**

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 any questions about this report or need additional information contact Walter J. Hrycenko, Superintendent, Brick Township Board of Education, 101 Hendrickson Avenue, Brick, NJ 08724. Also, please visit our website to learn more about our School District at www.brickschools.org.

Exhibit A-1

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Statement of Net Assets**
**June 30, 2009**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 10,649,929 | $ 168,438 | $ 10,818,367 |
| Prepaid expenses | 595,216 | - | 595,216 |
| Receivables - state | 850,622 | 7,908 | 858,530 |
| Receivables - other governments | 1,253,843 | 127,035 | 1,380,878 |
| Interfund receivables | 479,040 | - | 479,040 |
| Inventory | - | 13,324 | 13,324 |
| Restricted cash | 108,429 | | 108,429 |
| Capital assets, net (Note 4): | 50,496,177 | 476,363 | 50,972,540 |
| Total assets | 64,433,256 | 793,068 | 65,226,324 |
| **LIABILITIES** | | | |
| Accounts payable | 4,583,437 | 48,160 | 4,631,597 |
| Other current liabilities | 2,949 | - | 2,949 |
| Interfund payable | - | 479,040 | 479,040 |
| Payable to state government | 116,835 | - | 116,835 |
| Deferred revenue | 117,071 | - | 117,071 |
| Deposits on account | - | 10,427 | 10,427 |
| Interest Payable | 506,721 | - | 506,721 |
| Noncurrent liabilities (Note 5): | | | |
| Due within one year | 4,094,710 | - | 4,094,710 |
| Due beyond one year | 34,461,544 | 120,958 | 34,582,502 |
| Total liabilities | 43,883,267 | 658,585 | 44,541,852 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 21,434,498 | 476,363 | 21,910,861 |
| Restricted for: | | | |
| Special Revenue | - | | - |
| Debt service | 22,645 | - | 22,645 |
| Capital projects | (2,035,316) | - | (2,035,316) |
| Permanent endowment-nonexpendable | - | - | - |
| Other purposes | 8,036,423 | - | 8,036,423 |
| Unrestricted | (6,908,261) | (341,880) | (7,250,141) |
| Total net assets | $ 20,549,989 | $ 134,483 | $ 20,684,472 |

See accompanying notes to the financial statements.

Exhibit A-2

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Statement of Activities**
**For the Fiscal Year Ended June 30, 2009**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** |
| **Governmental activities:** | | | | | | | |
| Current: | | | | | | | |
| Regular instruction | $ 41,227,636 | $ - | $ - | $ - | $ (41,227,636) | $ - | $ (41,227,636) |
| Special schools instruction | 13,625,908 | - | - | - | (13,625,908) | - | (13,625,908) |
| Other special instruction | 3,716,466 | - | - | - | (3,716,466) | - | (3,716,466) |
| Support services and undistributed costs: | | | | | | | |
| Instruction | 7,024,791 | - | - | - | (7,024,791) | - | (7,024,791) |
| Attendance | 697,353 | - | - | - | (697,353) | - | (697,353) |
| Health services | 1,362,537 | - | - | - | (1,362,537) | - | (1,362,537) |
| Other support services | 11,431,716 | - | - | - | (11,431,716) | - | (11,431,716) |
| Educational media services | 1,239,513 | - | - | - | (1,239,513) | - | (1,239,513) |
| Instruction staff training | 11,407 | - | - | - | (11,407) | - | (11,407) |
| General administrative services | 1,431,143 | - | - | - | (1,431,143) | - | (1,431,143) |
| School administrative services | 4,953,615 | - | - | - | (4,953,615) | - | (4,953,615) |
| Information technology | 1,487,935 | - | - | - | (1,487,935) | - | (1,487,935) |
| Allowed maintenance for school facilities | 1,367,542 | - | - | - | (1,367,542) | - | (1,367,542) |
| Other operation & maintenance of plant | 10,190,914 | - | - | - | (10,190,914) | - | (10,190,914) |
| Student transportation services | 9,655,828 | - | - | - | (9,655,828) | - | (9,655,828) |
| Unallocated employee benefits | 25,853,071 | - | - | - | (25,853,071) | - | (25,853,071) |
| Non-budgeted expenditures | 8,165,904 | - | 8,165,904 | - | - | - | - |
| Special schools | 65,556 | - | - | - | (65,556) | - | (65,556) |
| Interest on long-term debt | 1,212,032 | | | | (1,212,032) | | (1,212,032) |
| Total governmental activities | 144,720,867 | - | 8,165,904 | - | (136,554,963) | - | (136,554,963) |
| Business-type activities: | | | | | | | |
| Enterprise funds | 3,283,769 | 2,252,581 | 872,402 | - | - | (158,786) | (158,786) |
| Total business-type activities | 3,283,769 | 2,252,581 | 872,402 | - | - | (158,786) | (158,786) |
| Total primary government | $ 148,004,636 | $ 2,252,581 | $ 9,038,306 | $ - | $ (136,554,963) | $ (158,786) | $ (136,713,749) |
| **General revenues:** | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes levied for general purpose | | | | | 88,636,073 | - | 88,636,073 |
| Taxes levied for debt service | | | | | 2,835,567 | - | 2,835,567 |
| Federal and state aid not restricted | | | | | 37,899,808 | - | 37,899,808 |
| Federal and state aid restricted | | | | | 4,825,778 | - | 4,825,778 |
| Tution revenues | | | | | 351,750 | - | 351,750 |
| Miscellaneous income | | | | | 1,342,790 | - | 1,342,790 |
| Investment earnings | | | | | 654,533 | 18,114 | 672,647 |
| Capital Contributions/transfers | | | | | - | - | - |
| Total general revenues, special items, extraordinary items and transfers | | | | | 136,546,299 | 18,114 | 136,564,413 |
| **Change in net assets** | | | | | (8,664) | (140,672) | (149,336) |
| **Net assets—beginning** | | | | | 20,558,653 | 275,155 | 20,833,808 |
| **Net assets—ending** | | | | | $ 20,549,989 | $ 134,483 | $ 20,684,472 |

See accompanying notes to the financial statements.

Exhibit B-1

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Balance Sheet**
**Governmental Funds**
**June 30, 2009**

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 8,993,516 | $ 4,209 | $ 1,629,559 | $ 22,645 | $ 10,649,929 |
| Capital reserve account | 108,429 | - | - | - | 108,429 |
| Due from other funds | 479,040 | - | - | - | 479,040 |
| Receivables from state | 848,826 | 1,796 | - | - | 850,622 |
| Receivables from federal | - | 787,826 | - | - | 787,826 |
| Receivables from other | 90,132 | 2,250 | - | - | 92,382 |
| Other - [tuition] | 373,635 | - | - | - | 373,635 |
| Prepaid expenses | 595,216 | - | - | - | 595,216 |
| Intergovermental accounts | - | - | - | - | - |
| Interest receivable on investments | - | - | - | - | - |
| Restricted cash and cash equivalents | - | - | - | - | - |
| Total assets | $ 11,488,794 | $ 796,081 | $ 1,629,559 | $ 22,645 | $ 13,937,079 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 2,156,387 | $ 562,175 | $ 1,864,875 | $ - | $ 4,583,437 |
| Contracts payable | - | - | - | - | - |
| Interfund payable | - | - | - | - | - |
| Payable to federal government | - | - | - | - | - |
| Payable to state government | - | 116,835 | - | - | 116,835 |
| Other liabilities | 2,949 | - | - | - | 2,949 |
| Deferred revenue | - | 117,071 | - | - | 117,071 |
| Total liabilities | 2,159,336 | 796,081 | 1,864,875 | - | 4,820,292 |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 897,702 | - | 1,296,753 | - | 2,194,455 |
| Legally restricted - designated for subsequent year's expenditures | 3,506,723 | - | - | - | 3,506,723 |
| Capital reserve account | 108,429 | - | - | - | 108,429 |
| Excess surplus | 2,575,250 | - | - | - | 2,575,250 |
| Excess surplus - designated for Subsequent year's expenditures | 353,103 | - | - | - | 353,103 |
| Other purposes | 595,216 | - | - | - | 595,216 |
| Unreserved, reported in: | | | | | |
| General fund | 1,293,035 | - | - | | 1,293,035 |
| Special revenue fund | - | - | - | - | - |
| Debt service fund | - | - | - | 22,645 | 22,645 |
| Capital projects fund | - | - | (1,532,069) | - | (1,532,069) |
| Permanent fund | - | - | - | - | - |
| Total Fund balances | 9,329,458 | - | (235,316) | 22,645 | 9,116,787 |
| Total liabilities and fund balances | $ 11,488,794 | $ 796,081 | $ 1,629,559 | $ 22,645 | |

Amounts reported for *governmental activities* in the statement of net assets (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 $110,079,325 and the accumulated depreciation is $56,563,732. | 50,496,177 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilties in the funds (see Note 6) | (39,062,975) |
| Net assets of governmental activities | $ 20,549,989 |

See accompanying notes to the financial statements.

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Statement of Revenues, Expenditures, And Changes in Fund Balances**
**Governmental Funds**
**For the Fiscal Year Ended June 30, 2009**

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Local sources: | | | | | |
| Local tax levy | $ 88,636,073 | $ - | $ - | $ 2,835,567 | $ 91,471,640 |
| Tuition charges | 351,750 | - | - | - | 351,750 |
| Interest income | 651,126 | - | - | - | 651,126 |
| Interest Earned on Capital Reserve Funds | 3,407 | - | - | - | 3,407 |
| Miscellaneous | 1,208,180 | 43,250 | 91,360 | - | 1,342,790 |
| Total - Local sources | 90,850,536 | 43,250 | 91,360 | 2,835,567 | 93,820,713 |
| State sources | 45,578,150 | 634,653 | - | 417,286 | 46,630,089 |
| Federal sources | 70,276 | 4,191,125 | - | - | 4,261,401 |
| Total revenues | 136,498,962 | 4,869,028 | 91,360 | 3,252,853 | 144,712,203 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| Regular instruction | $ 37,612,580 | $ 3,162,045 | $ - | $ - | $ 40,774,625 |
| Special education instruction | 13,573,543 | - | - | - | 13,573,543 |
| Other special instruction | 3,716,466 | - | - | - | 3,716,466 |
| Support services and undistributed costs: | | | | | |
| Instruction | 6,524,791 | - | - | - | 6,524,791 |
| Attendance | 697,353 | - | - | - | 697,353 |
| Health services | 1,362,537 | - | - | - | 1,362,537 |
| Other support services | 9,740,042 | 1,691,674 | - | - | 11,431,716 |
| Educational media services | 1,239,513 | | - | - | 1,239,513 |
| Instruction staff training | 11,407 | | - | - | 11,407 |
| General administrative services | 1,340,592 | - | - | - | 1,340,592 |
| School administrative services | 4,953,615 | - | - | - | 4,953,615 |
| Information technology | 1,487,935 | - | - | - | 1,487,935 |
| Allowed maintenance for school facilities | 1,282,679 | - | - | - | 1,282,679 |
| Other operation & maintenance of plant | 7,483,664 | - | - | - | 7,483,664 |
| Student transportation services | 9,298,287 | - | - | - | 9,298,287 |
| Unallocated employee benefits | 25,860,549 | - | - | - | 25,860,549 |
| Non-budgeted expenditures | 8,165,904 | - | - | - | 8,165,904 |
| Debt service: | | | | | |
| Principal | - | - | - | 7,044,571 | 7,044,571 |
| Interest and other charges | - | - | - | 1,272,637 | 1,272,637 |
| Capital outlay | 401,868 | - | 2,167,237 | - | 2,569,105 |
| Special schools | 65,556 | - | - | - | 65,556 |
| Total expenditures | 134,818,881 | 4,853,719 | 2,167,237 | 8,317,208 | 150,157,045 |
| Excess (Deficiency) of revenues over expenditures | 1,680,081 | 15,309 | (2,075,877) | (5,064,355) | (5,444,842) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Bond proceeds | - | - | - | 5,130,000 | 5,130,000 |
| Capital leases (non-budgeted) | - | - | - | - | - |
| Transfer - Contribution to Whole School Reform | - | - | - | - | - |
| Transfer to Special Revenue Fund - ECPA | - | - | - | - | |
| Transfers in | - | - | - | - | - |
| Costs of issuance | - | - | - | (44,000) | (44,000) |
| Total other financing sources and uses | - | - | - | 5,086,000 | 5,086,000 |
| Net change in fund balances | 1,680,081 | 15,309 | (2,075,877) | 21,645 | (358,842) |
| Fund balance—July 1 | 7,649,377 | (15,309) | 1,840,561 | 1,000 | 9,475,629 |
| Fund balance—June 30 | $ 9,329,458 | $ - | $ (235,316) | $ 22,645 | $ 9,116,787 |

See accompanying notes to the financial statements.

Exhibit B-3

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**
**For the Fiscal Year Ended June 30, 2009**

| | | |
|---|---|---|
| **Total net change in fund balances - governmental funds (from B-2)** | | **$ (358,842)** |
| Amounts reported for governmental activities in the statement of activities (A-2) are different because: | | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period. | | |
| Depreciation expense | $(6,758,490) | |
| Capital outlays | 3,091,474 | (3,667,016) |
| In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. | | |
| Accumulated depreciation on capital assets sold or retired during the fiscal year ended June 30, 2009 | 84,863 | |
| Cost basis of capital assets sold or retired during the fiscal year ended June 30, 2009 | (84,863) | - |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. | | 7,044,571 |
| The issuance of bonds creates other financing sources revenue in the governmental funds, the proceeds are shown as an increase to bonds payable. | | (5,130,000) |
| The increase in capital leases for the purchase of textbooks is reported as an expense on the Statement of Activities | | (500,000) |
| In the Statement of Activities, the principal payments on capital leases are recorded As a reduction in the long-term liability . In the governmental funds, the payments is an expenditure. | | 2,619,403 |
| In the statement of activities certain expenses, e.g., accrued liabilities for insurance, interest and compensated absences are measured by amounts incurred during the year. In governmental funds expenditures for these items are reported in the amount of financial resources used. | | (16,780) |
| **Change in net assets of governmental activities** | | **$ (8,664)** |

See accompanying notes to the financial statements.

Exhibit B-4

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Proprietary Funds**
**Statement of Net Assets**
**as of June 30, 2009**

| | Enterprise Fund Food Service |
|---|---|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | $ 168,438 |
| Accounts receivable: | |
| State | 7,908 |
| Federal | 127,035 |
| Interfunds | - |
| Inventories | 13,324 |
| Total current assets | 316,705 |
| Fixed assets: | |
| Equipment | 1,383,068 |
| Accumulated depreciation | (906,705) |
| Total fixed assets | 476,363 |
| Total assets | $ 793,068 |
| Liabilities and Fund Equity: | |
| Liabilities: | |
| Accounts payable | 48,160 |
| Compensated absences | 120,958 |
| Deposits on account | 10,427 |
| Interfund payable | 479,040 |
| Total liabilities | 658,585 |
| Net assets: | |
| Invested in capital assets, net of related debt | 476,363 |
| Restricted for other purposes | - |
| Unrestricted net assets | (341,880) |
| Total fund equity | 134,483 |
| Total liabilities and fund equity | $ 793,068 |

See accompanying notes to the financial statements.

Exhibit B-5

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**
**Proprietary Funds**
**For the Year Ended June 30, 2009**

| | Enterprise Fund Food Service |
|---|---|
| Operating revenues: | |
| Charges for services: | |
| Daily sales - reimbursable programs | $ 2,250,034 |
| Daily sales - non-reimbursable programs | 2,547 |
| Special functions | - |
| Miscellaneous | - |
| Total operating revenues | 2,252,581 |
| Operating expenses: | |
| Cost of sales | - |
| Salaries | 1,142,548 |
| Employee benefits | 724,072 |
| Purchased property service | - |
| Other purchased professional services | 25,701 |
| Cleaning, repair and maintenance services | - |
| Travel | 369 |
| Miscellaneous | - |
| Supplies | 1,342,844 |
| Management fees | - |
| Depreciation | 48,235 |
| Total operating expenses | 3,283,769 |
| Operating income (loss) | (1,031,188) |
| Nonoperating revenues (expenses): | |
| State sources: | |
| State school lunch program | 41,697 |
| State school breakfast program | 1,740 |
| Federal sources: | |
| National school lunch program | 661,036 |
| National school breakfast program | 14,101 |
| Special milk program | 6,893 |
| Food distribution program | 146,935 |
| Interest and investment revenue | 18,114 |
| Miscellaneous expense | - |
| Total nonoperating revenues (expenses) | 890,516 |
| Income (loss) before contributions & transfers | (140,672) |
| Capital contributions | - |
| Transfers in (out) | - |
| Change in net assets | (140,672) |
| Total net assets—beginning | 275,155 |
| Total net assets—ending | $ 134,483 |

See accompanying notes to the financial statements.

Exhibit B-6

BRICK TOWNSHIP BOARD OF EDUCATION
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

| | Enterprise Funds Food Service |
|---|---|
| Cash Flows from Operating Activities: | |
| Reciepts from Daily Sales | $ 2,396,969 |
| Receitpts from Catering | 2,547 |
| Payments to Employees | (1,866,620) |
| Payments to Suppliers | (1,330,180) |
| Payments for Other Expenditures | (10,316) |
| Net Cash Used in Operating Activities | (807,600) |
| Cash Flow from Noncapital Financing Sources: | |
| State Sources | 42,629 |
| Federal Sources | 654,611 |
| Interest Earned | 18,114 |
| Interfund- General Fund | (192,883) |
| Net Cash Provided by Non-Capital Financing Activities | 522,471 |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchases of equipment | (139,168) |
| Net Cash Used for capital and related financing activities | (139,168) |
| Net decrease in cash and cash equivalents | (424,297) |
| Cash and cash equivalents, July 1 | 592,735 |
| Cash and cash equivalents, June 30 | $ 168,438 |
| Operating income (loss) | $ (1,031,188) |
| Adjustments to reconcile operating loss to cash used by operating activities: | |
| Depreciation expense | 48,235 |
| Food Distribution Program | 146,935 |
| Change in assets and liabilities: | - |
| Increase in Compensated Absences Payable | 8,292 |
| Decrease in inventory | 2,237 |
| Increase in interfund receivable | 10,427 |
| Increase in accouts payable | 7,462 |
| Net cash provided by (used) in operating activities | $ (807,600) |

See accompanying notes to the financial statements.

Exhibit B-7

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Statement of Fiduciary Net Assets**
**June 30, 2009**

| | Unemployment Compensation Trust | Student Activity | Agency Fund | Deposits in Escrows | Total Fund |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 2,122,503 | $ 393,018 | $ 722,079 | $ 194,350 | $ 3,431,950 |
| Intergovernmental accounts receivable | - | - | - | - | - |
| Interfund receivable | - | - | - | - | - |
| Total assets | 2,122,503 | 393,018 | 722,079 | 194,350 | 3,431,950 |
| **LIABILITIES** | | | | | |
| Accounts payable | 23,744 | - | - | - | 23,744 |
| Payroll deductions and withholdings | - | - | 722,079 | - | 722,079 |
| Payable to student groups | - | 393,018 | - | - | 393,018 |
| Interfund payable | | - | | - | - |
| Other current liabilities | - | - | - | - | - |
| Total liabilities | 23,744 | 393,018 | 722,079 | - | 1,138,841 |
| **NET ASSETS** | | | | | |
| Held in trust for unemployment | | | | | - |
| claims and other purposes | 2,098,759 | - | - | 194,350 | 2,293,109 |
| Reserved for scholarships | - | - | - | - | - |
| | | | | | - |
| Total net assets | 2,098,759 | - | - | 194,350 | 2,293,109 |
| Total liabilities and net assets | $ 2,122,503 | $ 393,018 | $ 722,079 | $ 194,350 | $ 3,431,950 |

See accompanying notes to the financial statements.

**BRICK TOWNSHIP BOARD OF EDUCATION**
**Statement of Changes in Fiduciary Net Assets**
**Fiduciary Funds**
**For the Fiscal Year Ended June 30, 2009**

| | Unemployment Compensation Trust |
|---|---|
| **ADDITIONS** | |
| Contributions: | |
| Plan member | $ 117,556 |
| Other | - |
| Total Contributions | 117,556 |
| Investment earnings: | |
| Net increase (decrease) in fair value of investments | - |
| Interest | 69,154 |
| Dividends | - |
| Less investment expense | - |
| Net investment earnings | 69,154 |
| Total additions | 186,710 |
| **DEDUCTIONS** | |
| Quarterly contribution reports | - |
| Unemployment claims | 225,485 |
| Scholarships awarded | - |
| Refunds of contributions | - |
| Administrative expenses | - |
| Total deductions | 225,485 |
| Change in net assets | (38,775) |
| Net assets—beginning of the year | 2,137,534 |
| Net assets—end of the year | $ 2,098,759 |

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

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

a. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. The operations of the District include elementary, middle and high schools located in the Township of Brick.

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

b. Basis of Presentation

The School District’s basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The district-wide financial statements (A-1 and A-2) include the statement of net assets and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All interfund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported through taxes and user fees, from business-type activities, generally financed in whole or in part with fees charged to external customers.

1. Summary of Significant Accounting Policies (continued)

b. Basis of Presentation (continued)

The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year–end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide detail of the governmental, proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, Paragraph 76. The NJDOE believes that the presentation of all funds as major is important for pubic interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

<u>General Fund</u>: The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

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

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

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

1. Summary of Significant Accounting Policies (continued)

b. Basis of Presentation (continued)

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

The District reports the following proprietary fund:

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

The District's Enterprise Fund is comprised of the Food Service Fund.

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

| | |
|---|---|
| Equipment | 5-20 Years |

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Payroll Agency Fund and Unemployment Compensation Insurance Trust Fund.

c. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, proprietary, and fiduciary fund financial statements: The district-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting.

1. Summary of Significant Accounting Policies (continued):

c. Basis of Accounting (continued)

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The tax revenues are recognized in the year for which they are levied (see Note 1.d.). Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all requirements have been satisfied.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

d. Property Taxes

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

e. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-1.2. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2009 were insignificant.

1. Summary of Significant Accounting Policies (continued)

e. Budgets/Budgetary Control (continued)

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

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

f. Encumbrances

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

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

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

g. Cash, Cash Equivalents and Investments

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

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

1. Summary of Significant Accounting Policies (continued)

g. Cash, Cash Equivalents and Investments (continued)

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

h. Tuition Receivable

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

i. Tuition Payable

Tuition charges for the fiscal years 2008-2009 are based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

j. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods are recorded as an expenditure during the year of purchase.

Inventories in the enterprise funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2009.

k. Short-Term Interfund Receivables/Payables

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

l. Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is $2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

1. Summary of Significant Accounting Policies (continued)

l. Capital Assets (continued)

| Asset Class | Estimated Useful Lives |
|---|---|
| School Buildings | 50 |
| Building Improvements | 20 |
| Electrical/Plumbing | 30 |
| Vehicles | 8 |
| Office & computer equipment | 5-10 |
| Instructional equipment | 10 |
| Grounds equipment | 15 |

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

m. Compensated Absences

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

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

n. Deferred Revenue

Deferred revenue in the general and special revenue funds represent cash which has been received but not yet earned.

o. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

1. Summary of Significant Accounting Policies (continued)

p. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

q. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and excess surplus as defined by State law.

r. Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purposes; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

1. Summary of Significant Accounting Policies (continued)

s. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

t. Management Estimates

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

2. Cash, Cash Equivalents and Investments

Operating cash, in the form of Negotiable Order of Withdrawal ("NOW") accounts, is held in the District's name by a commercial banking institution. At June 30, 2009, the carrying amount of the District's deposits was $14,358,746 and the bank balance was $16,547,465. Of the bank balance, $250,000 was insured with Federal Deposit Insurance.

Pursuant to GASB Statement No. 40, 'Deposit and Investment Risk Disclosures' ("GASB 40"), the District's NOW accounts are profiled in order to determine exposure, if any , to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged to be depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2009, all of the District's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

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

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

## 3. Investments

Pursuant to the Enabling Act, the funds of the District may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the District may approve.

As of June 30, 2009, the District had no money deposited in investment accounts.

Custodial Credit Risk: The District does not have a policy for custodial credit risk.

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

Interest Rate Risk: The District does not have a policy to limit interest rate risk.

## 4. Capital Reserve Account

A capital reserve account was established by the Brick Township Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2008 to June 30, 2009 fiscal year is as follows:

| | |
|---|---|
| Beginning balance, July 1, 2008 | $105,023 |
| Interest earnings | 3,406 |
| Deposits | - |
| Withdrawals – State approved | - |
| Ending balance, June 30, 2009 | $108,429 |

The June 30, 2009 LRFP balance of local support costs of uncompleted capital projects is greater than the capital reserve balance. There were no withdrawals from the capital reserve for DOE approved facilities projects.

5. Capital Assets

Capital assets consisted of the following at June 30, 2009:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | $ 5,718,560 | - | - | $ 5,718,560 |
| Construction in progress | 2,822,197 | 2,167,237 | - | 4,989,434 |
| Total Capital Assets not being depreciated | 8,540,757 | 2,167,237 | - | 10,707,994 |
| Capital assets that are being depreciated: | | | | |
| Site improvements | $ 4,140,577 | - | - | $ 4,140,577 |
| Buildings | 79,850,466 | - | - | 79,850,466 |
| Machinery and equipment | 17,547,525 | 1,571,837 | 84,863 | 19,034,499 |
| Totals at historical cost | $101,538,568 | 1,571,837 | 84,863 | $103,025,542 |
| Less accumulated depreciation for: | | | | |
| Site improvements | (3,343,835) | (97,445) | - | (3,441,280) |
| Buildings | (41,575,870) | (5,116,874) | - | (46,692,744) |
| Equipment | (11,644,027) | (1,544,171) | 84,863 | (13,103,335) |
| Total accumulated depreciation | (56,563,732) | (6,758,490) | 84,863 | (63,237,359) |
| Total capital assets being depr. Net of accumulated depreciation | 44,974,836 | (5,186,653) | - | 39,788,183 |
| Government activities capital assets, net | $53,515,593 | (3,019,416) | - | $ 50,496,177 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Equipment | $ 1,243,900 | 139,168 | - | $ 1,383,068 |
| Less: accumulated deprec. | (858,470) | (48,235) | - | (906,705) |
| Business-type activities capital assets, net | $ 385,430 | 90,933 | - | $ 476,363 |

5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Regular instruction | $ 453,011 |
| Special schools instruction | 52,365 |
| General administration | 90,551 |
| Student transportation services | 357,541 |
| Operations and maintenance | 5,805,022 |
| Total depreciation expense | $6,758,490 |

6. Non-current Liabilities

During the fiscal year ended June 30, 2009 the following changes occurred in the non-current liabilities:

| | Balance July 1, 2008 | Increases/ (Decreases) | Balance June 30, 2009 | Amount Due Within 1 Year |
|---|---|---|---|---|
| Government Activities: | | | | |
| Bonds, Loans and Capital Leases | | | | |
| Bonds Payable | $ 26,466,000 | $ 2,974,000 | $29,440,000 | $1,920,000 |
| Capital Leases | 6,030,000 | (1,471,803) | 4,558,197 | 1,897,573 |
| Loans Payable | 1,752,053 | (260,141) | 1,491,912 | 277,137 |
| Total Bonds, Loans, and Capital Leases | 34,248,053 | 1,242,056 | 35,490,109 | 4,094,710 |
| Other Liabilities: | | | | |
| Compensated Absences | 5,590,940 | (191,639) | 5,399,301 | - |
| Insurance Claims and Judgments | 2,026,250 | 184,161 | 2,210,411 | - |
| Total Other Liabilities | 7,617,190 | (7,478) | 7,609,712 | - |
| Total Government Long-Term Liabilities | $ 41,865,243 | 4,096,118 | 43,099,821 | 4,094,710 |
| Business-Type Activities: | | | | |
| Other Liabilities: | | | | |
| Compensated Absences | $ 112,666 | 8,292 | 120,958 | - |

6. Non-current Liabilities (continued)

a. Bonds Payable

The voters of the municipality through referendums authorize bonds in accordance with state law. All bonds are retired in serial installments within the statutory period of usefulness.

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

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 1,920,000 | $ 1,062,506 | $ 2,982,506 |
| 2011 | 1,985,000 | 981,938 | 2,966,938 |
| 2012 | 2,030,000 | 905,788 | 2,935,788 |
| 2013 | 1,795,000 | 824,613 | 2,619,613 |
| 2014 | 1,805,000 | 752,262 | 2,557,262 |
| 2015-2019 | 9,650,000 | 2,540,201 | 12,190,201 |
| 2020-2023 | 5,635,000 | 514,391 | 6,149,391 |
| | $ 24,820,000 | $ 7,581,699 | $ 32,401,699 |

b. Obligations Under Capital Leases

The District is leasing capital items and equipment under capital leases. All capital leases are for terms of varying years. The following is a schedule of the remaining future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2009:

| Year-ending June 30, | |
|---|---|
| 2010 | 2,072,268 |
| 2011 | 1,112,259 |
| 2012 | 1,039,263 |
| 2013 | 699,764 |
| Total Minimum Lease Payments | 4,923,554 |
| Less: Amount representing Interest | (365,357) |
| Present Value of Lease payments | 4,558,197 |

6. Non-current Liabilities (continued)

c. Loans Payable

The District borrowed from the New Jersey Economic Development Authority $1,154,850 for a twenty year period at an interest rate of 1.50% and $3,464,550 for a twenty year period at an interest rate of 5.288% on August 18, 1993. Principal and interest due on the loans payable are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 277,137 | $ 56,656 | $ 333,793 |
| 2011 | 286,358 | 44,971 | 331,329 |
| 2012 | 296,056 | 32,786 | 328,842 |
| 2013 | 306,495 | 20,069 | 326,564 |
| 2014 | 317,436 | 6,786 | 324,222 |
| | $ 1,483,482 | 161,268 | 1,644,750 |

7. Pension Plans

Description of Systems:

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

*Teachers' Pension and Annuity Fund (TPAF)* - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

7. Pension Plans (continued)

*Public Employees' Retirement System (PERS)* - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan.

Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

| Year Funding | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/09 | $1,459,275 | 100 % | $ 1,459,275 |
| 6/30/08 | 1,285,256 | 80 | 1,028,205 |
| 6/30/07 | 954,507 | 60 | 572,704 |

7. Pension Plans (continued)

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

| Year Funding | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/09 | $3,747,173 | 0 % | $ 0 |
| 6/30/08 | 8,670,446 | 0 | 0 |
| 6/30/07 | 8,528,237 | 0 | 0 |

During the fiscal year ended June 30, 2009, the State of New Jersey contributed $3,747,173 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $4,418,731 during the year ended June 30, 2009 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

8. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits of those State employees who retire after reaching age 60 and accumulating 25 years of credited service. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the educational employees. As of June 30, 2009, there were 80,181 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 which will increase the medical reserve by one half of 1% of the active State payroll.

The State made post-retirement (PRM) contributions of $592.7 million for TPAF and $224.3 million for PERS in fiscal year 2008.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2008, the State paid $116.0 million toward Chapter 126 benefits for 12,545 eligible retired members.

9. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), “Accounting for Compensated Absences”.

District employees are granted varying amounts of vacation and sick leave in accordance with the districts contracts. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for specified dollar amount per sick day accumulated and begin vesting with the employee after one year of service.

9. Compensated Absences (continued)

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net assets under governmental activities. The amount at June 30, 2009 is $5,399,301.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees.

10. Deferred Compensation

Brick Township Board of Education offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The below listed vendors have been authorized by the district, have all signed Sharing Agreements and agree to operate in accordance with current regulations and district policies. The District does not use a Third Party Administrator.

AIG Retirement Advisors, Inc.
450 Headquarters Plaza
Morristown, NJ 07960

AXA Equitable
Retirement Benefits Group
333 Thornall Street, 8th Floor
Edison, NJ 08837

Ameriprise Financial Services, Inc.
101 Union Avenue
Brielle, NJ 08730

Met Life Resources
110 Barnes Road
Wallingford, CT 06492

11. Risk Management

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies, therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2009 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

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

Property and Liability Insurance

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

11. Risk Management (continued)

Health Benefits

The District provides health benefits to employees through a minimum premium insurance policy administered by Horizon Blue Cross Blue Shield of New Jersey (“Horizon”). The incurred but not reported liability (“IBNR”) actuarially computed by Horizon was $2,210,411 at June 30, 2009 in the Government-wide Financial Statements as a long-term liability.

It was also noted that the entire IBNR is adjusted for changes in estimate at year-end and such changes are reflected in the district’s budget and the entire liability is treated as a liability for budgetary purposes.

12. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2009:

| Fund | Interfund Receivable | Interfund Payable |
|---|---|---|
| General Fund | $479,040 | $ - |
| Special Revenue Fund | - | - |
| Capital Projects Fund | - | - |
| Debt Service Fund | - | - |
| Enterprise Fund - | - | 479,040 |
| Trust and Agency Fund | - | - |
| | $479,040 | $479,040 |

13. Inventory

Inventory in the Food Service Fund at June 30, 2009 consisted of the following:

| | |
|---|---|
| Food and supplies | $13,324 |

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

14. Contingent Liabilities

Grant Programs

The school district participates in federal awards and state financial assistance grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

15. Fund Balance Appropriated

General Fund – Of the $9,329,458 General Fund balance at June 30, 2009, $897,702 is reserved for encumbrances, $108,429 is reserved for capital reserve, $595,216 is reserved for other purposes, $2,575,250 is reserved for excess surplus, $3,859,826 is designated for subsequent year expenditures, and $1,293,035 is unreserved and undesignated.

16. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2009 is $2,575,250.

17. Receivables

Receivables at June 30, 2009, consisted of accounts (rent and tuition), accrued interest, interfund and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of governmental receivables follows:

| | Governmental Fund Financial Statements | District-Wide financial Statements |
|---|---|---|
| State Aid | $ 850,622 | $ 858,530 |
| Interfunds | 479,040 | 479,040 |
| Other | 1,253,843 | 1,380,878 |
| Gross Receivables | 2,583,505 | 2,718,448 |

## APPENDIX C

## FORM OF LEGAL OPINION

*An opinion in substantially the following form*
*will be delivered at Closing, assuming no*
*material changes in facts or law.*

________ __, 2010

The Board of Education of the
The Township of Brick,
in the County of Ocean, New Jersey

Re: $2,400,000 School Bonds, Series 2010

Ladies and Gentlemen:

We have examined certified copies of a record of proceedings of the Board of Education of the Township of Manchester, in the County of Ocean, New Jersey (the "Board" or the "Board of Education"), a body corporate responsible for the supervision of the public schools located in the Township of Manchester, in Ocean County, New Jersey (the "School District"), pertaining to the issuance and sale of $2,400,000 aggregate principal amount of School Bonds, Series 2010 (the "Bonds"). The Bonds are dated ___________ __, 2010 and mature on March 1 in the years and in the principal amounts and bear interest at the rates, payable on September 1, 2010 and semiannually thereafter on the first days of March and September in each year until maturity or earlier redemption, as follows:

| Year | Principal Amount | Interest Rate | Year | Principal Amount | Interest Rate |
|---|---|---|---|---|---|
| 2011 | $140,000 | % | 2019 | $160,000 | % |
| 2012 | $135,000 | | 2020 | $165,000 | |
| 2013 | $140,000 | | 2021 | $170,000 | |
| 2014 | $140,000 | | 2022 | $180,000 | |
| 2015 | $145,000 | | 2023 | $185,000 | |
| 2016 | $150,000 | | 2024 | $190,000 | |
| 2017 | $150,000 | | 2025 | $195,000 | |
| 2018 | $155,000 | | | | |

The Bonds are in fully registered form and are issued pursuant to Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by the Board of Education on July 24, 2008, and approved by the legally qualified voters of the School District at a special school election held on December 9, 2008, and by virtue of a resolution duly adopted by the Board of

Education on February 25, 2010 (the "Resolution"). The Bonds are subject to redemption prior to maturity as described in the Resolution.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers.

The bonds are being issued for the purpose of financing the costs for installation of a photovoltaic roof-mounted solar panel system at Brick Township Memorial High School in the School District.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, such matters of law, and such agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

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

1. The Bonds have been duly authorized, issued, executed and sold by the Board of Education; the Bonds are legal, valid and binding obligations of the Board and the School District, enforceable in accordance with their terms; and all the taxable property within the School District is subject to the levy of *ad valorem* taxes, without limit as to rate or amount, for the payment of the principal of and interest on the Bonds. The Bonds are additionally secured by the provisions of the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, as amended by P.L. 2003, c. 118.

2. The Board of Education has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the Board of Education with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, adopted by the Congress of the United States of America and signed into law on February 17, 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights, and by equitable principles, and the phrase “enforceable in accordance with their terms” shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK & COLE, LLP

# APPENDIX D

# FORM OF CONTINUING DISCLOSURE CERTIFICATE

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Township of Brick in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of $2,400,000 principal amount of its School Bonds, Series 2010 (the "Bonds"). The Bonds are being issued pursuant to proposals approved by the voters of the school district and a resolution duly adopted by the Issuer on March 4, 2010 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Issuer's fiscal year, commencing with the report for the first fiscal year ending June 30, 2010, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB 's website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

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

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with standards prescribed or permitted by the State Department of Education pursuant to Subchapter 2A of Chapter 20 of Title 6 of the New Jersey Administrative Code. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data set forth in the Official Statement dated ___________2010, prepared in connection with the sale of the Bonds in "APPENDIX A – Certain Demographic Information Concerning the Township of Brick and the School District".

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

principal and interest payment delinquencies;

non-payment related defaults;

unscheduled draws on debt service reserves reflecting financial difficulties;

unscheduled draws on credit enhancements reflecting financial difficulties;

substitution of credit or liquidity providers, or their failure to perform;

adverse tax opinions or events affecting the tax-exempt status of the Bonds;

modifications to rights of Bondholders;

optional, contingent or unscheduled Bond calls;

defeasances;

release, substitution or sale of property securing repayment of the Bonds; and

rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure

Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: ________ __, 2010

THE BOARD OF EDUCATION OF THE TOWNSHIP OF BRICK, IN THE COUNTY OF OCEAN, NEW JERSEY

By:________________________________________

James W. Edwards, Jr.
Business Administrator

## EXHIBIT A

## NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | The Board of Education of the Township of Brick, in the County of Ocean, New Jersey |
| Name of Bond Issue: | $2,400,000 School Bonds, Series 2010 |
| Date of Issuance: | ____________, 2010 |

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____________, 2010. The Issuer anticipates that the Annual Report will be filed by _________________.

Dated: _________________

THE BOARD OF EDUCATION OF THE TOWNSHIP OF BRICK, IN THE COUNTY OF OCEAN, NEW JERSEY

By:_________________________________