

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

Rating: Standard & Poor's "(Expected)" (School Bond Reserve Act)
Standard & Poor's "(Expected)" (Underlying Rating)

PRELIMINARY OFFICIAL STATEMENT DATED MAY 25, 2010

In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, assuming continuing compliance by the Issuer (as defined herein) with certain covenants described herein, interest on the Bonds (as defined herein) is not includable in gross income for federal income tax purposes under current law, and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds held by corporate taxpayers is not included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of interest on the Bonds not being included in "adjusted current earnings." Bond counsel expresses no opinion 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 EXEMPTION" herein.

New Issue

Serial Bonds

Advertisement and Blank Proposal
**THE BOARD OF EDUCATION OF THE
TOWNSHIP OF HAMILTON IN
THE COUNTY OF ATLANTIC, NEW JERSEY
\$4,824,000 SCHOOL BONDS
(Callable)(Book-Entry-Only)(Bank Qualified)**

Dated: Date of Delivery

Due: February 1, as shown below

The \$4,824,000 School Bonds (the "Bonds") of The Board of Education of the Township of Hamilton in the County of Atlantic, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository for the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity or earlier redemption, commencing August 1, 2011. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS-Redemption" herein.

The Bonds are general obligations of the Board, and the full faith and credit of the Board are irrevocably pledged for the payment of the principal of and interest on the Bonds. Payment of the principal of and interest on the Bonds, if not paid from other sources, are payable from ad valorem taxes to be levied upon all taxable real property located within the School District, without limitation as to rate or amount. The Bonds are also entitled to the benefits of and are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A: 56-17 et seq. See "DESCRIPTION OF THE BONDS—New Jersey School Bond Reserve Act" herein.

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

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$225,000	%		2020	\$310,000	%	
2013	240,000			2021	325,000		
2014	250,000			2022	350,000		
2015	260,000			2023	400,000		
2016	275,000			2024	425,000		
2017	280,000			2025	450,000		
2018	290,000			2026	444,000		
2019	300,000						

The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon & Scotland, L.L.C., Newark, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Board's Bond Counsel, McManimon & Scotland, L.L.C., or at such other place as agreed to with the Underwriter on or about June 23, 2010.

ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON JUNE 8, 2010. FOR MORE INFORMATION VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF HAMILTON
IN THE COUNTY OF ATLANTIC, NEW JERSEY**

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Newark, New Jersey

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

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

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

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**OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE TOWNSHIP OF HAMILTON
IN THE COUNTY OF ATLANTIC, NEW JERSEY
\$4,824,000
SCHOOL BONDS
(CALLABLE) (BOOK-ENTRY-ONLY ISSUE) (BANK QUALIFIED)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of Hamilton in the County of Atlantic, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$4,824,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds has been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated June 23, 2010 and shall mature on February 1 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from June 23, 2010, which interest shall be payable semi-annually on the first day of February and August commencing on August 1, 2011 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity or earlier redemption by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC") or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See "BOOK-ENTRY-ONLY SYSTEM" herein.*

The Bonds will be issued in fully registered book-entry-only form without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 integrals, with a

minimum purchase of \$5,000, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption

The Bonds maturing prior to February 1, 2021 are not subject to optional redemption. The Bonds maturing on or after February 1, 2021 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after February 1, 2020 at the par amount of bonds to be refunded, plus unpaid accrued interest 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 DTC (or any successor thereto) acts as Securities Depository for the Bonds, such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Security for the Bonds

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount.

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

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

bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the 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.

Authorization and Purpose

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on July 21, 2009 and approved by a majority of the legal voters present and voting at the school district election held on September 29, 2009 and by a resolution duly adopted by the Board on May 11, 2010.

The purpose of the Bonds is to (a) finance the installation of solar panels at the William Davies Middle School, George L. Hess Educational Complex Elementary School, and Joseph C. Shaner Memorial Elementary School and the re-roofing of portions of the George L. Hess Educational Complex Elementary School and the Joseph C. Shaner Memorial Elementary School; and (b) to acquire the necessary equipment for these projects. The total cost of the project is \$4,824,407. The project will be permanently funded through the issuance of the Bonds and the additional \$407 will be made available from other funds of the Board of Education. The Board is eligible to receive debt service aid from the State of New Jersey in the amount of 55.1161% of the annual debt service due with respect to the final eligible costs of the projects. However, facilities aid for fiscal year 2011 had been reduced by 15%. See "Summary of State Aid to School Districts" herein.

BOOK-ENTRY-ONLY SYSTEM¹

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain

¹ Source: The Depository Trust Company

information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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 School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the fifteenth (15th) day, whether or not a business day, of the calendar month next preceding an Interest Payment Date.

THE SCHOOL DISTRICT AND THE BOARD

The Board consists of nine members elected to three-year terms. The purpose of the School District is to educate students in grades kindergarten through eight. The superintendent of the School District is appointed by the Board and is responsible for the administrative control of the School District.

The School District is a Type II school district and provides a full range of educational services appropriate to kindergarten (K) through grade eight (8), including regular and special education programs. After grade eight, the students attend Greater Egg Harbor Regional High School. The School District is coterminous with the boundaries of the Township of Hamilton (the "Township"), in the County of Atlantic.

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 *et seq.*, P.L. 1996, c. 138 (CEIFA), (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts can increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either 2.5% or the consumer price index, whichever is greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. 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 limited approval of the voters at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), further provided limitations on a school district spending by limiting 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 provides 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.

Although P.L. 2007, c. 62 allows for certain adjustments to the 4% tax levy cap, for increases in enrollment, reductions in certain State aid and increases in health care costs, the bill also grants discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges for sending districts. The Commissioner will have the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 is deemed to supersede the prior limitations on the amount school districts can increase their annual current expenses and capital outlay budgets known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 is in effect only through fiscal year 2012 and would have to be extended by legislation if it is to continue. Other wise the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

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

Issuance of Debt

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

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

Every Board is required to provide an annual audit of the school district's accounts and financial transactions. A licensed public school accountant must perform the audit no later than four (4) months after the end of the school fiscal year. The audit, in conformity with statutory requirements, must be filed with the Board and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local Board within thirty (30) days following receipt of the annual audit by such Board.

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

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

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a kindergarten (K) through grade eight (8) school district, the School District can borrow up to 3.0% of the average equalized valuation of taxable property in the School District. The School District has not exceeded its 3.0% debt limit. *See* "APPENDIX A – Debt Limit of the School District."

Exceptions to Debt Limitation

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

Capital Lease Financing

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

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., (P.L. 1990, 52) ("QEA") (now repealed), the Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., (P.L.1996, c. 138) (CEIFA) and the Educational Facilities Construction and Financing Act, P.L.2000, c. 72) ("EFCFA"), which became law on July 18, 2000. For the past several years aid was simply determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260 approved January 1, 2008 (A500), attempts to remove the special status given to certain districts known as Abbot Districts after the school funding cases and instead has funding follow students

with certain needs and provides aid in a way that takes into account the ability of the local district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was recently challenged in the New Jersey Supreme Court and the Court held that the State's plan for school aid is a "constitutionally adequate scheme."

Notwithstanding over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid, supplemental core curriculum standards aid, bilingual aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

Due to the State's current budget concerns, the State has notified the Board that it will not provide all aid previously budgeted, and next year there will likely be additional cuts. The Board has been notified that \$982,377 of its State aid will be withheld through the end of the current fiscal year. The Board is working on a plan that will involve cutting back expenditures for the remainder of the year and monitoring whether it will need to transfer funds from reserves or fund balances. The Board has been alerted that funding for next year will also be affected. The Governor has issued an announcement that he intends to cut aid significantly for fiscal year 2011. Projected State aid figures released by the Department of Education on March 17, 2010 reflect a decrease in formula-based aid from \$23,028,745 for fiscal year 2010 to \$21,003,358 for fiscal year 2011.

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

The Governor of the State has announced his intention to reduce facilities aid by 15%. This would reduce debt service aid by 15% in fiscal year 2011 and school districts receiving aid financed through the New Jersey Economic Development Authority, such as grants, will be assessed an amount representing 15% of their proportionate share of the fiscal 2011 principal and interest payments on the outstanding bonds issued for the program.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Township has not exceeded its statutory debt limit.

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

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

The Township may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

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

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

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

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

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

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

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

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

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

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

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

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" 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 agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, new 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.

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

Tax Assessment and Collection Procedure

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

Upon the filing of certified adopted budgets by the Township's Local School District and the County, the tax rate is struck by the Atlantic 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 are mailed annually in June by the Township's Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

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

Tax Appeals

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

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

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

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

FINANCIAL STATEMENTS

The financial statements of the Board for the year ended June 30, 2009, are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Glen Ortman of Ford, Scott & Associates, L.L.C., Ocean City, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B - Financial Statements of The Board of Education of the Township of Hamilton in the County of Atlantic, New Jersey".

LITIGATION

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

TAX EXEMPTION

Applicable federal tax law provides that interest on obligations such as the Bonds is not included in gross income for federal income tax purposes only if certain requirements are met. In its Certificate (the "Tax Certificate") as to Arbitrage and Compliance with the Internal Revenue Code of 1986, as amended (the "Code"), which will be delivered in connection with the issuance of the Bonds, the Issuer will make certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds and certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103 of 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 tax

purposes retroactive to the date of the issuance of the Bonds.

In the opinion of Bond Counsel, in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Issuer in the Tax Certificate and assuming compliance by the Issuer with its ongoing covenants in the Tax Certificate, under existing statutes, regulations, administrative pronouncements and judicial decisions interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to the Code and is not an item of tax preference to be included in calculating alternative minimum taxable income under the Code for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Pursuant to the American Recovery and Reinvestment Tax Act of 2009, interest on the Bonds held by corporate taxpayers is not included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of interest on the Bonds not being included in "adjusted current earnings."

New Jersey Gross Income Tax

In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, to be delivered simultaneously with the delivery of the Bonds, under existing law interest on the Bonds and any gain on the sale of the Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act.

Certain Federal Tax Consequences Relating to the Bonds

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

There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the Bonds so as to affect adversely the exclusion from gross income for federal income tax purposes of interest on the Bonds. Each purchaser of the Bonds should consult his or her own advisor regarding any changes in the status of pending or proposed federal tax legislation.

Bank Qualification

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

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

Pursuant to a de minimis safe harbor exception contained in the American Recovery and Reinvestment Act of 2009, certain tax-exempt obligations issued in 2009 and 2010 are not taken into account for purposes of the denial of the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations, up to a maximum amount equal to 2% of the taxpayer's average adjusted bases of all its assets.

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

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 institutions, 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 obligations of the Board, including the Bonds, and such Bonds are authorized security for any and all public deposits.

MUNICIPAL BANKRUPTCY

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

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm same to the purchasers of the Bonds, by certificates signed by the Board President and Business Administrator/Board Secretary.

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

The Auditor has participated in the preparation of this Official Statement on behalf of the Board, but has not independently verified the accuracy, completeness or fairness thereof and, accordingly, takes no responsibility and express no opinion with respect thereto.

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

RATING

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

The rating will 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. The Board furnished to the Rating Agency certain information and materials concerning the Bonds and the Board. There can be no assurance that the rating will continue for any given period of time or that the rating will not be revised downward entirely by the Rating Agency if, in their judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

SECONDARY MARKET DISCLOSURE

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

(a) On or prior to February 1 of each year, beginning February 1, 2011, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board and certain financial information and operating data consisting of (1) Board and overlapping indebtedness including a schedule of outstanding debt issued by the Board; (2) the Board's most current adopted budget; (3) property valuation information; and (4) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

(b) in a timely manner, to EMMA notice of the following events with respect to the Bonds, if material (herein "Material Events"):

- (1) Principal and interest payment delinquencies;

- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

(c) in a timely manner to EMMA, notice of failure of the Board to provide required annual financial information on or before the date specified in this resolution.

(d) Any filing made pursuant to (a), (b) or (c) above shall be made as required by the Rule to the Municipal Securities Rulemaking Board and to provide such information in an electronic format and accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board or by compliance with any such other procedure as may be authorized by the Securities and Exchange Commission.

In the event that the Board fails to comply with the above-described undertaking and covenants, the Board shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Board from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

There can be no assurance that there will be a secondary market for the sale or purchase of the Bonds. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the Board may affect the future liquidity of the Bonds.

The Board is in compliance with its prior filing obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Martha Jamison, Business Administrator/Board Secretary at (609) 476-6302.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or 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 this Official Statement is not guaranteed as to accuracy or completeness.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF HAMILTON IN THE COUNTY OF ATLANTIC, NEW JERSEY

By: _____
Martha Jamison, CPA, Business Administrator/Board Secretary

APPENDIX A

Economic and Demographic Information Relating to the School District and the Township of Hamilton

SCHOOL DISTRICT

General Information

The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The School District is a Type II school district without a board of school estimate. The Board consists of nine members elected to three-year terms. The purpose of the School District is to educate students in grades PK-8. A superintendent is appointed by the Board and is responsible for the administrative control of the School District.

The District operates three school facilities: the Shaner School for half-day pre-kindergarten, full-day kindergarten and grade one; the Hess School for preschool (a half-day four year old program) and grades two through five; and the Davies Middle School for grades six, seven and eight. In March 2003, the community approved a \$24,194,546 construction project to do renovations and construct classrooms and core facilities to accommodate grade six at the Davies School. The project was completed as of September 2005. As a result of this project, the school district reorganized into its present configuration.

Enrollment

The following table represents the School District's enrollment from the school year ended June 30, 1998 and every year thereafter.

<u>School Year</u>	<u>Pupil Enrollment</u>	<u>% Change</u>
2010	3,347	0.05%
2009	3,349	2.48%
2008	3,268	1.58%
2007	3,217	0.31%
2006	3,207	-0.74%

Source: School District Records

Facilities

The following table outlines the facilities of the School District.

<u>Name of School</u>	<u>Grade Level</u>	<u>Capacity</u>
Shaner Elementary	PK-1	639
Hess Elementary	PK, 2-5	1,616
Davies Middle	6-8	1,120

Employment

The following table provides the number of the instructional and non-instructional personnel employed by the School District from school year 2006 through school year 2010.

<u>School Year</u>	<u>Certified</u>	<u>Non-Certified</u>
2005-06	307	98
2006-07	302	98
2007-08	305	98
2008-09	309	134
2009-10	307	196

Pension Plan/Retirement Plan

Description of Plans – All required 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 Pensions 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, P.O. Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) – The Teachers' Pension and Annuity Fund was established as of January 1, 1995, 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 systems' 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.

Public Employees' Retirement System (PERS) – The Public Employees' Retirement System (PERS) was established as of January 1, 1995 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 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 of local jurisdiction.

Labor Relations

The School District has three negotiated collective bargaining labor units. The teachers', support staff and maintenance contract ran through June 30, 2009, the administrative contract also ran through June 30, 2009, and the supervisors', directors', and coordinators' contract runs through June 30, 2010.

The two expired contracts are currently being negotiated to run through June 30, 2012.

Vacation, Personal Days and Sick Leave

The School District provides vacation, personal and sick leave in accordance with the negotiated terms of the applicable Collective Bargaining Agreements.

Budget History

The Board of Education must submit its budget for voter approval. The voters have approved the tax levy requested four of each five years.

<u>Year</u>	<u>Category</u>	<u>Levy</u>	<u>Result</u>
2006-07	General Fund	15,007,035	Passed
2007-08	General Fund	15,572,797	Passed
2008-09	General Fund	15,835,561	Passed
2009-10	General Fund	16,190,597	Passed
2010-11	General Fund	16,565,299	Defeated

GENERAL INFORMATION REGARDING THE TOWNSHIP

History

The Township which was incorporated in 1813, located in the southwestern part of Atlantic County, New Jersey approximately 18 miles west of the City of Atlantic City and 40 miles from Philadelphia. The Township comprises an area of approximately 115 square miles making it one of the largest municipalities in the State of New Jersey. The Township is accessible within minutes from Route 40, 50 and 322 as well as the Atlantic City Expressway and the Garden State Parkway.

Government Structure

The Township operates under a Township Committee form of government. The five member Township Committee is elected to staggered three-year terms. A Mayor and Deputy Mayor are selected from the Committee by its members. Legislative and executive power is vested in the Township Committee.

The day-to-day administrative duties are the responsibility of the Township Administrator, who is appointed by the Township Committee. To that end, the Administrator keeps the Committee informed as to the conduct of the Township affairs, the condition of the Township finances and the welfare and future needs of the Township.

The financial affairs of the Township are administered by the Chief Financial Officer, who reports to the Township Administrator. With the Township Administrator, the Chief Financial Officer prepares and then monitors the annual municipal budget after adoption by the Township Committee.

Business Management

The Mayor and Township Committee have taken an active role in the preparation and administration of the Township's annual operating and capital budgets. Joint purchasing agreements, extensive use of state contract purchases, and the solicitation of competitive price proposals for the majority of purchases are just a few measures employed to reduce costs. User fees for Township services are continually examined and increased when needed, and an aggressive tax collection program contributes to the Township's financial well-being. The Township's tax collection rate exceeded 98 percent for the last ten years.

Land Utilization

The Township is in the heart of an area designated as a "Regional Growth District" pursuant to the New Jersey Pinelands Commission's Comprehensive Management Plan. With the commencement, in August 1992, of operations of the Atlantic County Utilities Authority's Coastal Interceptor Project, additional sewer capacity became available to accommodate development. From 2004 to 2008, the Township issued 1,028 new Certificates of Occupancy (for new construction).

Public Safety

The Township's Police Department ("Department") offers residents 24 hour a day protection from the centrally located Township Municipal Building. The Department consists of a Police Chief, five Lieutenants, and ten Sergeants, five Detectives, forty-seven Patrol Officers and twelve dispatchers.

The Hamilton Township Fire Department is made up of five fire companies consisting of more than 150 volunteers and 20 pieces of vehicular firefighting equipment. 24 hour a day rescue and ambulance service is provided via a combination of paid and volunteer crews within the Hamilton Township Rescue Squad. The Squad has two stations in the Township.

Public Works Department

The Public Works Department is responsible for the maintenance and beautification of Township recreation areas and other public grounds, repair and upkeep of over 200 miles of Township roads and the continued maintenance of all Township owned vehicles. The Department consists of a Certified Public Works Manager, two Public Works Managers, four mechanics, four support personnel and twenty-three general workers. The Public Works Department's functional areas include Parks & Recreation, Solid Waste & Recycling, Facilities Maintenance, Roads & Drainage, Fleet Management and Communities & Senior Services.

Transportation

An efficient system of highways, railroads and airlines is readily accessible. The Atlantic City Expressway provides the Township with direct route west to the Philadelphia metropolitan area and East to Atlantic City. The Garden State Parkway links the Township to New York City to the north and Cape May to the south. Airport passenger service is available at Pomona (18 miles), Philadelphia (40 miles) and Newark (110 miles).

Utilities

Parts of the Township are equipped with gas from South Jersey Gas Company. The electric power in the Township is provided by Atlantic City Electric. Water and Sewer are provided by a separate entity, Hamilton Municipal Utilities Authority. Those who do not have access to gas have septic systems and wells for propane gas. Approximately 70 percent of the Township has cable accessibility; the rest are to receive service within the next few years.

Library

The Township residents have access to the Atlantic County Library located within the Township.

Hamilton Township Municipal Utilities Authority

The Township entered into a service contract with the Hamilton Township Municipal Utilities Authority (HTMUA) in April 1985. This contract obligates the Township, as a contingent guarantor, on a \$500,000.00 loan with the New Jersey Department of Environmental Protection. In November 1989, the Township entered into a supplemental services contract with the HTMUA whereby the Township is obligated, as a contingent guarantor, on an additional \$250,000.00 loan with the New Jersey Department of Environmental Protection; a \$313,000.00 loan with the New Jersey Pinelands Infrastructure Trust; and bonds not to exceed \$6,000,000.00. This contract is to pay for a portion of the cost associated with the connection of the Authority's Utilities System to the treatment facilities of the Atlantic County Utility Authority. In March 1990, the Township approved a resolution increasing the bonding guarantee from \$6,000,000 to \$8,500,000. In November 1990, the Township adopted an ordinance increasing the bond guarantee from \$8,500,000 to \$16,200,000. Under the State statutes this service contract does not affect the Township's debt covered by this contract. Under the State statutes this service contract does not affect the Township's debt limitations; accordingly, the above transaction is not recorded as a liability of the Township.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

Population

Year	Township		County		State	
	Population	% Change	Population	% Change	Population	% Change
2000	20,499	28.02%	252,552	12.58%	8,414,350	8.8500
1990	16,012	68.56%	224,327	15.56%	7,730,188	4.9600
1980	9,499	47.38%	194,119	10.89%	7,365,011	2.7000
1970	6,445	7.11%	175,043	8.80%	7,171,112	18.2000

Source: US Census

Building Permits

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2010	308	\$ 41,432,176
2009	1,066	24,600,940
2008	1,136	23,543,095
2007	1,279	30,924,214

Source: Township Construction Office**Employment and Unemployment Comparisons**

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2009	10,807	9,651	1,156	10.7%
2008	10,818	10,161	658	6.1%
2007	10,928	10,404	524	4.8%
2006	11,255	10,714	541	4.8%
<u>County</u>				
2009	136,423	119,893	16,530	12.1%
2008	135,693	126,229	9,464	7.0%
2007	136,114	128,187	7,927	5.8%
2006	139,997	132,007	7,990	5.7%
<u>State</u>				
2009	4,529,947	4,079,265	450,682	10.0%
2008	4,520,458	4,203,534	316,924	7.0%
2007	4,485,015	4,282,189	202,826	4.5%
2006	4,473,650	4,283,179	190,471	4.3%

Source: Bureau of Labor Statistics

FINANCIAL INFORMATION REGARDING THE TOWNSHIP OF HAMILTON

Largest Employers in the Township

<u>Employer</u>	<u>Type of Industry</u>
Greater Egg Harbor Regional High School	School District
Wal-Mart	Retail Store
Macy's	Mall Anchor Store
Hamilton Township Public Schools	School District
Sears	Retail Store
J.C. Penney	Retail Store
Atlantic City Electric	Utility
Target	Retail Store
Best Buy	Retail Store
Acme Markets	Grocery Store

Source: Township Clerk

Statement of Indebtedness**As of December 31, 2009****Township of Hamilton**

Gross Debt:

School Purposes:

Local School District Bonds:

Bonds Issued and Outstanding	\$ 28,880,000	
Authorized but Not Issued (New Project)	<u>4,824,000</u>	

Gross Debt for School Purposes		33,704,000
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Regional School District Debt Issued		15,579,363
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Municipal General Purpose Debt

Bonds Issued and Outstanding	18,440,363	
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Bonds and Notes Auth but Not Issued	<u>835,700</u>	
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Gross General Purpose Debt		<u>19,276,063</u>
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Total Gross Debt		68,559,426
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Less: Statutory Deductions

Local School Debt	33,704,000	
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Regional School Debt	15,579,363	
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Reserve for Payment of Debt	<u>191,543</u>	
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		<u>49,474,906</u>
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Statutory Net Det		<u>\$ 19,084,520</u>
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Statutory Net Debt as a % of average equalized value		<u>0.71%</u>
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Average Equalized Valuation of Real Property

For the years 2007, 2008 and 2009		<u>\$ 2,675,093,688</u>
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**TOWNSHIP OF HAMILTON
DEBT RATIOS AND VALUATIONS**

Average of Equalized Valuations of Real Property with Improvements for 2007, 2008 and 2009.	\$2,675,093,688
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2007, 2008 and 2009.	0.71%
2009 Net Valuation Taxable	\$1,318,254,766
2009 Total Value of Land and Improvements	\$1,314,226,600
2009 Equalized Valuation of Real Property with Improvements Certified by the Atlantic County Board of Taxation	\$2,749,273,699
Gross Debt:	
As a Percentage of 2009 Net Valuation Taxable	5.20%
As a Percentage of 2009 Equalized Valuation	2.49%
Net Debt:	
As a Percentage of 2009 Net Valuation Taxable	1.44%
As a Percentage of 2009 Equalized Valuation	0.69%
Gross Debt Per Capita - on 2000 Census	\$3,344
Net Debt Per Capita - on 2000 Census	\$931

OVERLAPPING DEBT

Net Debt of County of Atlantic, New Jersey at December 31, 2009	\$132,915,531
Amount of Debt Allocated to Township of Hamilton (1)	\$6,499,569
Hamilton Township Municipal Utilities Authority December 31, 2009	\$8,080,000

(1) Such allocation is determined from the Township's percentage of the total equalized valuations of the County which is 4.89%.

**TOWNSHIP OF HAMILTON
SUMMARY OF MUNICIPAL DEBT**

	Gross Debt	Applicable Deductions	Net Debt
School	\$33,704,000	\$33,704,000	\$ -
Regional School	15,579,363	15,579,363	
General	19,276,063	191,543	19,084,520
	<u>\$68,559,426</u>	<u>\$49,474,906</u>	<u>\$19,084,520</u>

BORROWING CAPACITY

Statutory Borrowing Power under Local Bond Law: 3 1/2% of Average (2007-2009) Equalized Valuation of Real Property and Second Class Railroad (\$2,675,093,688)	\$ 93,628,279
Net Debt	<u>19,084,520</u>
Remaining Borrowing Power	<u>\$74,543,759</u>

**BOARD OF EDUCATION
BORROWING CAPACITY**

Statutory Borrowing Power: 3% of Average (2007-2009) Equalized Valuation of Real Property and Second Class Railroad (\$2,675,093,688)	\$80,252,811
Debt	<u>33,704,000</u>
Remaining Borrowing Power available under N.J.S. 18A:24-19 and before using Township Borrowing Power	<u>\$46,548,811</u>

Ten Largest Taxpayers

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Hamilton Mall, LLC	\$ 60,000,000
Benderson-Wainberg Assoc.	53,821,200
BFW/Pike Assoc., LLC	21,779,200
JSM at Timber Glen, LLC	19,072,500
RH Macy & Co., LLC	11,755,400
Greenwood ACRA Inc.	9,500,000
Sears, Roebuck & Co.	9,497,800
Atlantic South Prop	9,200,000
Festival at Hamilton, LLC	8,900,000
Wal-Mart Stores	7,800,000

Source: Municipal Tax Assessor

Comparisons of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collection</u>	<u>% of Collection</u>
2009 *	\$ 52,672,084	\$ 51,806,987	98.36
2008	51,655,238	50,889,689	98.52
2007	50,166,301	49,553,821	98.78
2006	48,628,238	47,957,469	98.62
2005	42,736,264	42,403,214	99.22
2004	38,135,354	37,793,073	99.10

* Unaudited

Source: Municipal Audit

Delinquent Taxes and Tax Title Lien

<u>Year</u>		<u>Amount of Tax Lien</u>	<u>Amount of Delinquent Tax</u>	<u>% of Levy</u>
2009	*	\$ 10,755	\$ 620,481	1.20
2008		2,209	727,279	1.41
2007		15,140	562,052	1.15
2006		15,040	535,041	1.13
2005		14,934	291,032	0.72

* Unaudited

Property Acquired by Tax Title Lien

<u>Year</u>	<u>Assessed</u>
2009	* \$ 3,918,000
2008	3,918,000
2007	3,972,800
2006	3,909,900
2005	3,966,100

* Unaudited

Net Assessed Valuations and Annual Tax Rates

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Total Tax Rate</u>	<u>County</u>	<u>Local School</u>	<u>Regional School</u>	<u>Municipal</u>
2009	\$ 1,318,254,766	3.975	0.625	1.450	0.673	1.225
2008	1,289,946,779	3.797	0.613	1.450	0.724	1.010
2007	1,266,509,452	3.738	0.625	1.451	0.759	0.903
2006	1,252,565,794	3.593	0.625	1.422	0.727	0.819
2005	1,194,829,436	3.355	0.601	1.317	0.639	0.798

Source: Municipal Audit

Real Property Classification

	2009	2008	2007	2006	2005
Vacant Land	\$ 68,670,500	\$ 69,523,200	\$ 69,736,600	\$ 69,429,200	\$ 62,879,100
Residential	882,041,900	860,675,600	836,779,600	775,705,200	729,117,100
Farm	9,216,700	9,282,800	9,539,000	9,650,000	1,048,800
Commercial	282,155,300	286,822,700	286,493,500	336,984,800	333,970,800
Apartments	56,945,500	44,823,300	44,455,500	40,150,600	37,103,100
Industrial	15,196,700	15,077,100	15,803,100	16,516,000	16,516,000
	<u>\$ 1,314,226,600</u>	<u>\$ 1,286,204,700</u>	<u>\$ 1,262,807,300</u>	<u>\$ 1,248,435,800</u>	<u>\$ 1,180,634,900</u>

Source: Township Tax Assessor

Ratio of Assessed Valuation to True Value

Year	Aggregate Assessed Valuation (Net)	Ratios to True Value	Aggregate True Value Real Prop
2009	\$ 1,318,254,766	48.02	\$ 2,745,220,254
2008	1,289,946,779	46.82	2,755,119,134
2007	1,266,509,452	49.16	2,576,300,756
2006	1,252,565,794	58.26	2,149,220,648
2005	1,194,829,436	68.52	1,743,767,419

Source: Abstract of Ratables, County Board of Taxation

**TOWNSHIP OF HAMILTON
2010 CURRENT MUNICIPAL BUDGET**

Anticipated Revenues:	
Fund Balance	\$ 2,803,000
Miscellaneous Revenues:	
Energy Receipts Tax	2,754,977
Public and Private Revenues Offset	
with Appropriations	402,306
Receipts from Delinquent Taxes	600,000
Amount to be Raised by Taxation	17,173,971
Miscellaneous	<u>2,546,942</u>
	<u><u>\$ 26,281,196</u></u>
Appropriations:	
Within "Cap":	
Operations:	
Salaries and Wages	\$ 9,925,187
Other Expenses	8,384,082
Deferred Charges and	
Statutory Expenditures	<u>2,411,791</u>
Total within "Cap"	<u><u>\$ 20,721,060</u></u>
Excluded from "Cap":	
Operations	\$ 345,371
Public and Private Revenues Offset	
with Revenues	407,906
Capital Improvements	75,000
Debt Service	3,158,041
Deferred Charges	390,700
Reserve for Uncollected Taxes	<u>1,183,118</u>
Total Excluded from "Cap"	<u><u>\$ 5,560,136</u></u>
	<u><u>\$ 26,281,196</u></u>

The 2010 Municipal Budget was introduced on March 1, 2010 and after public hearing, was adopted on April 12, 2010.

APPENDIX B

Financial Statements of The Board of Education of the Township of Hamilton in the County of Atlantic, New Jersey

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Hamilton Township School District
County of Atlantic, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Hamilton Township School District, in the County of Atlantic, 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 financial statements are the responsibility of the Hamilton Township Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, each major fund, of the Hamilton Township Board of Education, in the County of Atlantic, State of New Jersey, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 on our consideration of the Hamilton Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information, as listed in the table of contents, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Hamilton Township Board of Education's basic financial statements. The accompanying introductory section, combining statements, and related major fund supporting statements and schedules, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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 Policy for Recipients of Federal Grants, State Grants and State Aid*, 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman
Certified Public Accountant
Licensed Public School Accountant
No. 853

October 29, 2009

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The discussion and analysis of Hamilton Township School District's financial performance provides an overall review of the School 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 School District's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information 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 increased \$2,707,041.76, which represents a 15.5 percent increase from 2008.
- General revenues accounted for \$37,691,812.87 or 78.7 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$10,172,521.80 or 21.3 percent of total revenues of \$47,864,334.67.
- Total assets of governmental activities increased by \$586,040.89 as cash and cash equivalents decreased by \$197,652.34, receivables increased by \$577,802.86, and capital assets increased by \$343,092.64.
- The School District had \$45,157,292.91 in expenses; only \$10,172,521.80 of these expenses were offset by program specific charges for services, grants or contributions.
- Among governmental funds, the General Fund had \$39,162,215.23 in revenues and \$39,242,416.24 in expenditures. The General Fund's fund balance decreased \$30,201.01 from 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 Hamilton Township School District 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 Hamilton Township School District, the General Fund is by far the most significant fund.

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the 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 2009?". The Statement of Net Assets and the Statement of Activities answer 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.

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:

- Governmental 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, as are the Kids Corner and Community Education enterprise funds.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School 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 the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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.

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

Reporting the School District's Most Significant Funds - Continued

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 54 of this report.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

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

Table 1 provides a summary of the School District's net assets for 2009 in comparison to the School District's net assets for 2008.

**Table 1
Net Assets**

	2009	2008
Assets		
Current and Other Assets	\$ 3,810,459.31	\$ 3,249,028.65
Capital Assets	<u>52,210,079.59</u>	<u>51,854,022.92</u>
Total Assets	<u>56,020,538.90</u>	<u>55,103,051.57</u>
Liabilities		
Long-Term Liabilities	34,506,796.85	36,561,355.00
Other Liabilities	<u>1,308,486.02</u>	<u>1,043,482.30</u>
Total Liabilities	<u>35,815,282.87</u>	<u>37,604,837.30</u>
Net Assets		
Invested in Capital Assets, Net of Debt	19,796,711.21	17,137,148.17
Restricted	2,307,054.05	1,170,653.56
Unrestricted	<u>(1,898,509.23)</u>	<u>(809,587.46)</u>
Total Net Assets	<u>\$ 20,205,256.03</u>	<u>\$ 17,498,214.27</u>

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

The School District as a Whole - Continued

The District's combined net assets were \$20,205,256.03 on June 30, 2009. This was an increase of 15.5 percent from the prior year.

Table 2 shows changes in net assets for fiscal year 2009 in comparison to net assets for fiscal year 2008.

**Table 2
Changes in Net Assets**

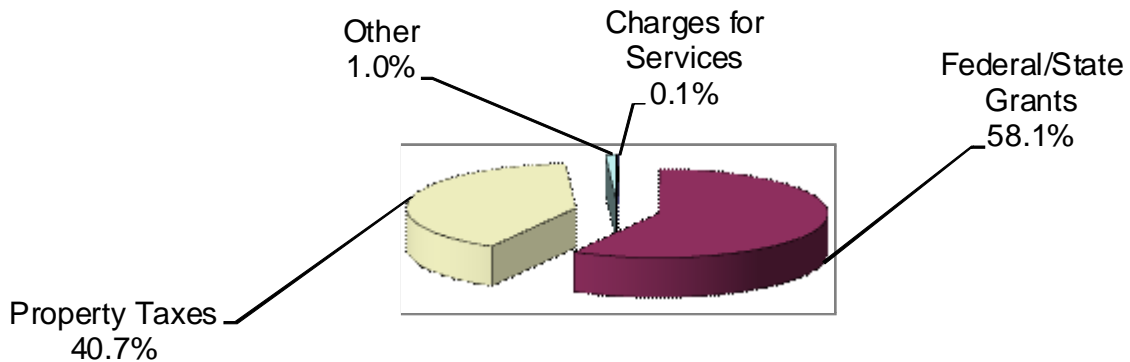
	2009	2008
Revenues		
Program Revenues:		
Charges for Services	\$ 1,152,369.77	\$ 1,198,137.51
Operating and Capital Grants and Contributions	9,020,152.03	12,564,750.82
General Revenues:		
Property Taxes	18,700,053.00	18,374,298.00
Grants and Entitlements	18,568,610.43	12,695,304.06
Other	423,149.44	401,652.73
Total Revenues	<u>47,864,334.67</u>	<u>45,234,143.12</u>
Program Expenses		
Instruction	23,356,369.25	21,704,501.54
Community Service Programs	4,219.52	9,032.02
Support Services:		
Pupils and Instructional Staff	5,987,797.94	5,282,692.51
General Administration, School Administration,	3,482,962.97	3,539,791.19
Business Operations and Maintenance of Facilities	4,652,467.59	4,294,021.91
Pupil Transportation	3,451,981.21	3,139,552.16
Charter Schools	40,670.00	53,888.00
Special Schools	31,024.06	-
Interest on Debt	1,433,757.21	1,486,160.89
Unallocated Depreciation	983,510.95	904,173.83
Business Type Activities	1,732,342.21	1,684,521.30
Other	190.00	2,187.24
Total Expenses	<u>45,157,292.91</u>	<u>42,100,522.59</u>
Increase in Net Assets	<u>\$ 2,707,041.76</u>	<u>\$ 3,133,620.53</u>

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

Governmental Activities

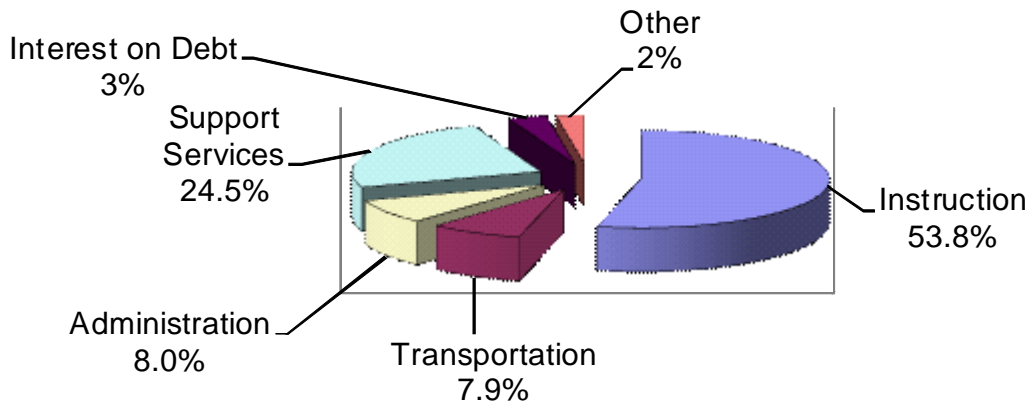
The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 40.7 percent of revenues for governmental activities for the Hamilton Township School District for fiscal year 2009. The District's total revenues were \$45,936,408.95 for the year ended June 30, 2009. Federal, state, and local grants accounted for another 58.1 percent of revenue.

Sources of Revenue for Fiscal Year 2009



The total cost of all program and services was \$43,424,760.70. Instruction comprises 53.8 percent of District expenses.

Expenses for Fiscal Year 2009



**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

Business-Type Activities

Revenues for the District's business-type activities (food service, Kids' Corner and community education programs) were comprised of charges for services and federal and state meal reimbursements.

- Food Service revenues exceeded expenses by \$190,778.92 prior to a transfer of \$50,000.00 to the General Fund. Kids Corner revenues exceeded expenses by \$4,238.80 prior to a transfer of \$10,000.00 to the Community Education Program. Community Education revenues exceeded expenses by \$50,375.79 prior to a transfer in of \$10,000.00 from the Kids Corner Program.
- Charges for services represent \$1,090,058.27 of revenue. This represents amounts paid by patrons for daily food service, child care in our before and after school program, class fees for community education programs and enrollment fees for our summer Camp Blue Star Program.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, breakfasts and donated commodities was \$877,155.13.

Governmental Activities

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

Table 3

	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Instruction	\$ 23,356,369.25	\$ 18,322,656.29	\$ 21,704,501.54	\$ 13,347,185.94
Support Services:				
Pupils and Instructional Staff	5,987,797.94	5,268,482.06	5,282,692.51	4,198,684.17
General Administration, School Administration, Business Operation and Maintenance of Facilities	8,135,430.56	7,679,862.21	7,833,813.10	7,159,613.18
Pupil Transportation	3,451,981.21	2,174,270.28	3,139,552.16	1,920,141.71
Interest and Fiscal Charges	1,433,757.21	717,474.76	1,486,160.89	968,210.93
Other	1,059,424.53	1,056,706.70	967,093.85	966,167.42
Total Expenses	<u><u>\$ 43,424,760.70</u></u>	<u><u>\$ 35,219,452.30</u></u>	<u><u>\$ 40,413,814.05</u></u>	<u><u>\$ 28,560,003.35</u></u>

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

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

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

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

Governmental Activities - Continued

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

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

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

"Other" includes Community Service Programs, Charter Schools and unallocated depreciation.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects 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 \$45,886,408.95 and expenditures were \$46,740,162.69.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2009, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue	Amount	Percent of Total	Increase (Decrease) from 2008	Percent of Increase (Decrease)
Local Sources	\$ 19,174,801.63	41.79%	\$ 332,417.45	1.76%
State Sources	25,165,533.16	54.84%	2,047,579.11	8.86%
Federal Sources	1,546,074.16	3.37%	189,898.43	14.00%
Total	<u>\$ 45,886,408.95</u>	100.00%	<u>\$ 2,569,894.99</u>	5.93%

State revenues increased by \$2,047,579.11. The increase in state revenue was in part due to an increase in State Aid. Overall State Aid increased \$3,405,340.00 from 2008 but now the two final June payments due to the district were delayed until July.

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

The School District's Funds - Continued

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	Percent of Total	Increase (Decrease) from 2008	Percent of Increase (Decrease)
Current expense:				
Instruction	\$ 21,590,563.19	46.19%	\$ 5,506,376.33	34.23%
Undistributed expenditures	19,142,987.71	40.96%	(2,696,929.31)	-12.35%
Capital Outlay	1,342,393.11	2.87%	(1,908.86)	-0.14%
Charter Schools	40,670.00	0.09%	(13,218.00)	-24.53%
Special Schools	28,423.53	0.06%	28,423.53	100.00%
Debt Service:				
Principal	3,250,000.00	6.95%	170,000.00	5.52%
Interest	1,345,125.15	2.88%	(43,259.45)	-3.12%
Total	<u>\$ 46,740,162.69</u>	100.00%	<u>\$ 2,949,484.24</u>	6.74%

Changes in expenditures were the results of varying factors. The drastic increase in Special Schools expenditures was due to running a summer school program. The increase in Instruction and the decrease in Undistributed Expenditures is attributed to the allocation of benefits. The decrease in Charter School expenditures was due to the decreased enrollment in these schools.

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 District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- Although the State permitted us to defer half of our PERS liability, the district made the decision to pay the full amount. The district made this decision based on the following: the full liability had been budgeted and the funds were available in the current year, we did not experience any large unexpected costs during the year and we had the cash available.
- Due to a decrease in State Aid in the amount of \$137,221.00, we had to decrease appropriations. We choose to reduce appropriations on the health benefits line.
- TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditure item to the district but is required to be reflected in the financial statements.

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

General Fund Budgeting Highlights - Continued

- Tuition, staff and supplies for special education students are budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into the District during the summer as well as the school year which necessitates transferring funds to the appropriate account to pay these special education costs.

Capital Assets

At the end of the fiscal year 2009, the School District had \$52,277,641.59 invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to 2008.

**Table 4
Capital Assets (Net of Depreciation) at June 30, 2009**

	<u>2009</u>	<u>2008</u>
Land	\$ 1,423,600.00	\$ 1,423,600.00
Construction in Progress	23,512,996.86	23,571,531.19
Site Improvements	212,741.51	171,082.12
Building and Building Improvements	26,660,665.59	26,406,285.04
Machinery and Equipment	436,883.63	276,982.57
Licensed Vehicles	30,754.00	4,542.00
Total	<u>\$ 52,277,641.59</u>	<u>\$ 51,854,022.92</u>

Overall capital assets increased \$423,618.67 from fiscal year 2008 to fiscal year 2009. For more detailed information, please refer to the Notes to the Financial Statements.

**HAMILTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED (CONTINUED)**

Debt Administration

At June 30, 2009, the School District had \$34,506,796.85 of outstanding debt. Of this amount, \$2,093,428.47 is for compensated absences and \$14,495,000.00 of serial bonds for school construction.

**Table 5
Outstanding Debt at June 30, 2009**

	<u>2009</u>	<u>2008</u>
2002 Refunding Bonds	\$ 4,280,000.00	\$ 5,030,000.00
2003 Refunding Bonds	11,625,000.00	13,690,000.00
2003 Davies School Bonds	14,495,000.00	14,870,000.00
2007 Various School Improvements	937,000.00	997,000.00
2008 Various School Improvements	998,000.00	-
Total	<u>\$ 32,335,000.00</u>	<u>\$ 34,587,000.00</u>

At June 30, 2009, the School District's overall legal debt margin was \$46,816,665.00. For more detailed information, please refer to the Notes to the Financial Statements.

For the Future

The Hamilton Township School District is in good financial condition presently. The School District is proud of its community support of the public schools.

Hamilton Township School District's budget for 2009-2010 was approved by 52.15% of the voters. The contributing factors are thought to be the District's history of minimal increases and community support of the District.

In conclusion, the Hamilton Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Michelle Cappelluti, Superintendent or Martha J. Jamison, Business Administrator/Board Secretary at Hamilton Township Board of Education, 1876 Dr Dennis Foreman Drive, Mays Landing, N.J., 08330. Please visit our website at www.hamiltonschools.org.

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents and Investments	\$ 883,457.28	\$ 888,399.47	\$ 1,771,856.75
Receivables, Net	979,252.64	53,972.48	1,033,225.12
Internal Balances	683.07	(683.07)	0.00
Inventory		12,927.10	12,927.10
Deferred Amount on Refunding Bonds	367,534.73		367,534.73
Restricted Assets:			
Cash Reserve Account	524,915.61		524,915.61
Emergency Reserve	50,000.00		50,000.00
Maintenance Reserve	50,000.00		50,000.00
Capital Assets, Net (Note 6)	52,146,650.09	63,429.50	52,210,079.59
Total Assets	<u>55,002,493.42</u>	<u>1,018,045.48</u>	<u>56,020,538.90</u>
LIABILITIES			
Accounts Payable	232,536.70	4,759.40	237,296.10
State Aid Anticipation Note Payable	659,727.00		659,727.00
Payable to State Government	19,985.48		19,985.48
Accrued Interest Payable	354,448.24		354,448.24
Deferred Revenue	37,029.20		37,029.20
Noncurrent Liabilities (Note 7)			
Due Within One Year	3,495,762.29		3,495,762.29
Due Beyond One Year	31,011,034.56		31,011,034.56
Total Liabilities	<u>35,810,523.47</u>	<u>4,759.40</u>	<u>35,815,282.87</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	19,733,281.71	63,429.50	19,796,711.21
Restricted for:			
Debt Service	(354,358.21)		(354,358.21)
Capital Projects	562,030.62		562,030.62
Emergency Reserve	50,000.00		50,000.00
Maintenance Reserve	50,000.00		50,000.00
Other Purposes	1,999,381.64		1,999,381.64
Unrestricted	(2,848,365.81)	949,856.58	(1,898,509.23)
Total Net Assets	<u>\$ 19,191,969.95</u>	<u>\$ 1,013,286.08</u>	<u>\$ 20,205,256.03</u>

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

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2009

Function/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 15,859,396.95	\$ -	\$ 2,797,493.65	\$ -	\$ (13,061,903.30)	\$ -	\$ (13,061,903.30)
Special Education	4,258,962.86		2,054,949.62		(2,204,013.24)		(2,204,013.24)
Other Instruction	3,238,009.44		181,269.69		(3,056,739.75)		(3,056,739.75)
Community Service Programs	4,219.52		374.01		(3,845.51)		(3,845.51)
Support Services:					-		-
Tuition	617,298.54				(617,298.54)		(617,298.54)
Student & Instruction Related Services	5,370,499.40		719,315.88		(4,651,183.52)		(4,651,183.52)
School Administrative Services	1,775,582.00		131,214.39		(1,644,367.61)		(1,644,367.61)
Other Administrative Services	1,707,380.97		84,754.98		(1,622,625.99)		(1,622,625.99)
Plant Operation and Maintenance	4,652,467.59	62,311.50	177,287.48		(4,412,868.61)		(4,412,868.61)
Pupil Transportation	3,451,981.21		1,277,710.93		(2,174,270.28)		(2,174,270.28)
Charter Schools	40,670.00				(40,670.00)		(40,670.00)
Special Schools	31,024.06		2,343.82		(28,680.24)		(28,680.24)
Interest on Long-Term Debt	1,433,757.21		716,282.45		(717,474.76)		(717,474.76)
Unallocated Depreciation	983,510.95				(983,510.95)		(983,510.95)
Total Governmental Activities	<u>43,424,760.70</u>	<u>62,311.50</u>	<u>8,142,996.90</u>	<u>-</u>	<u>(35,219,452.30)</u>	<u>-</u>	<u>(35,219,452.30)</u>
Business-Type Activities:							
Food Service	1,320,047.19	625,522.95	877,155.13			182,630.89	182,630.89
Kids Corner	233,963.79	236,926.90				2,963.11	2,963.11
Community Education	178,331.23	227,608.42				49,277.19	49,277.19
Total Business-Type Activities	<u>1,732,342.21</u>	<u>1,090,058.27</u>	<u>877,155.13</u>	<u>-</u>	<u>-</u>	<u>234,871.19</u>	<u>234,871.19</u>
Total Primary Government	<u>\$ 45,157,102.91</u>	<u>\$ 1,152,369.77</u>	<u>\$ 9,020,152.03</u>	<u>\$ -</u>	<u>\$ (35,219,452.30)</u>	<u>\$ 234,871.19</u>	<u>\$ (34,984,581.11)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 15,835,561.00	\$ -	\$ 15,835,561.00
Taxes Levied for Debt Service					2,864,492.00		2,864,492.00
Federal and State Aid not Restricted					18,568,610.43		18,568,610.43
Tuition Received					56,327.37		56,327.37
Investment Earnings					73,739.18	10,712.32	84,451.50
Loss on disposal of Fixed Assets						(190.00)	(190.00)
Miscellaneous Income					282,370.57		282,370.57
Transfers					50,000.00	(50,000.00)	-
Total General Revenues, Special Items, Extraordinary Items and Transfers					<u>37,731,100.55</u>	<u>(39,477.68)</u>	<u>37,691,622.87</u>
Change in Net Assets					<u>2,511,648.25</u>	<u>195,393.51</u>	<u>2,707,041.76</u>
Net Assets - Beginning					<u>16,680,321.70</u>	<u>817,892.57</u>	<u>17,498,214.27</u>
Net Assets - Ending					<u>\$ 19,191,969.95</u>	<u>\$ 1,013,286.08</u>	<u>\$ 20,205,256.03</u>

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

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 883,367.25	\$ -	\$ -	\$ 90.03	\$ -	\$ 883,457.28
Receivables Net						-
Due from Other Funds	427,881.75					427,881.75
Receivables from Other Governments	176,361.44	409,447.82	374,844.45			960,653.71
Other Receivables	18,598.93					18,598.93
Restricted Cash & Cash Equivalents	624,915.61					624,915.61
Total Assets	<u>\$ 2,131,124.98</u>	<u>\$ 409,447.82</u>	<u>\$ 374,844.45</u>	<u>\$ 90.03</u>	<u>\$ -</u>	<u>\$ 2,915,507.28</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 174,422.77	\$ 94,373.04	\$ 3,775.00	\$ -	\$ -	\$ 272,570.81
Loans Payable	659,727.00					659,727.00
Payable to State Government		19,985.48				19,985.48
Due to Other Funds		296,608.10	90,556.47			387,164.57
Deferred Revenue		37,029.20				37,029.20
Total Liabilities	<u>834,149.77</u>	<u>447,995.82</u>	<u>94,331.47</u>	<u>-</u>	<u>-</u>	<u>1,376,477.06</u>
Fund Balances:						
Reserved for:						
Encumbrances	87,532.46		243,397.97			330,930.43
Capital Reserve Account	524,915.61					524,915.61
Maintenance Reserve Account	50,000.00					50,000.00
Emergency Reserve Account	50,000.00					50,000.00
Excess Surplus - Designated for Subsequent Year's Expenditures	844,499.42					-
Excess Surplus	823,951.79					844,499.42
Unreserved, Reported in:						823,951.79
General Fund	(1,083,924.07)					(1,083,924.07)
Special Revenue Fund		(38,548.00)				(38,548.00)
Debt Service Fund				90.03		90.03
Capital Projects Fund			37,115.01			37,115.01
Total Fund Balances	<u>1,296,975.21</u>	<u>(38,548.00)</u>	<u>280,512.98</u>	<u>90.03</u>	<u>-</u>	<u>1,539,030.22</u>
Total Liabilities and Fund Balances	<u>\$ 2,131,124.98</u>	<u>\$ 409,447.82</u>	<u>\$ 374,844.45</u>	<u>\$ 90.03</u>	<u>\$ -</u>	

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 \$74,631,207.30 and the accumulated depreciation is \$22,484,557.21.

52,146,650.09

Interest on long-term debt in the statement of activities is accrued, regardless of when due.

(354,448.24)

Deferred amounts on refunding bonds are reported in governmental funds as expenditures. However, in the statement of activities, the cost is allocated over the life of the bonds.

367,534.73

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 7)

(34,506,796.85)

Net assets of governmental activities

\$ 19,191,969.95

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES						
Local Sources:						
Local Tax Levy	\$ 15,835,561.00	\$ -	\$ -	\$ 2,864,492.00	\$ -	\$ 18,700,053.00
Tuition Charges	56,327.37					56,327.37
Interest Earned on Capital Reserve	5,890.37					5,890.37
Miscellaneous	412,530.89	-				412,530.89
Total Local Sources	16,310,309.63	-	-	2,864,492.00	-	19,174,801.63
State Sources	22,779,135.75	655,764.41		1,730,633.00		25,165,533.16
Federal Sources	72,769.85	1,473,304.31				1,546,074.16
Total Revenues	39,162,215.23	2,129,068.72	-	4,595,125.00	-	45,886,408.95
EXPENDITURES						
Current:						
Regular Instruction	12,948,016.92	1,757,704.38	-	-	-	14,705,721.30
Special Education Instruction	3,843,458.06					3,843,458.06
Other Instructional Programs	3,041,383.83					3,041,383.83
Community Service Programs	3,804.55					3,804.55
Support Services:						
Tuition	617,298.54					617,298.54
Student & Instruction Related Serv.	4,685,842.38	269,008.59				4,954,850.97
School Administrative Services	1,632,941.42					1,632,941.42
Other Administrative Services	1,623,791.70					1,623,791.70
Plant Operation and Maintenance	4,451,719.61					4,451,719.61
Pupil Transportation	3,443,848.32					3,443,848.32
Unallocated Benefits	2,414,732.60					2,414,732.60
Transfer to Charter Schools	40,670.00	-				40,670.00
Debt Service:						
Principal				3,250,000.00		3,250,000.00
Interest and Other Charges				1,345,125.15		1,345,125.15
Capital Outlay	466,484.78	-	875,908.33			1,342,393.11
Special Schools	28,423.53					28,423.53
Total Expenditures	39,242,416.24	2,026,712.97	875,908.33	4,595,125.15	-	46,740,162.69
Excess (Deficiency) of Revenues Over Expenditures	(80,201.01)	102,355.75	(875,908.33)	(0.15)	-	(853,753.74)
OTHER FINANCING SOURCES (USES)						
Transfer in	50,000.00					50,000.00
Proceeds of Bond Sale			998,000.00			998,000.00
Total Other Financing Sources and Uses	50,000.00	-	998,000.00	-	-	1,048,000.00
Net Changes in Fund Balance	(30,201.01)	102,355.75	122,091.67	(0.15)	-	194,246.26
Fund Balance - July 1	1,327,176.22	(140,903.75)	158,421.31	90.18	-	1,344,783.96
Fund Balance - June 30	\$ 1,296,975.21	\$ (38,548.00)	\$ 280,512.98	\$ 90.03	\$ -	\$ 1,539,030.22

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Total Net Change in Fund Balance - Governmental Funds (from B-2) \$ 194,246.26

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 depreciation exceeded capital outlays for the period.

Depreciation expense	\$	(983,510.95)	
Capital Outlays		<u>1,326,603.59</u>	
			343,092.64

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

Payment of Long-term Debt	3,250,000.00
Payment of Capital leases	51,506.37

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Capital Lease Proceeds	0.00
Proceeds of Bonds	(998,000.00)

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

(248,948.22)

The loss on the refunding of bonds is amortized over the life of the bonds.

(60,833.33)

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

(19,415.47)

Change in Net Assets of Governmental Activities

\$ 2,511,648.25

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Proprietary Funds
Statement of Net Assets
June 30, 2009

	Business-Type Activities - Enterprise Fund			
	Food Service	Kids Corner Program	Community Education	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 613,998.38	\$ 81,082.63	\$ 193,318.46	\$ 888,399.47
Accounts Receivable	53,972.48			53,972.48
Interfunds Receivable	1,393.65			1,393.65
Inventories	12,927.10			12,927.10
Total Current Assets	<u>682,291.61</u>	<u>81,082.63</u>	<u>193,318.46</u>	<u>956,692.70</u>
Noncurrent Assets:				
Furniture, Machinery & Equipment	407,682.36	2,352.72	20,229.19	430,264.27
Less: Accumulated Depreciation	<u>(358,008.59)</u>	<u>(2,352.72)</u>	<u>(6,473.46)</u>	<u>(366,834.77)</u>
Total Noncurrent Assets	<u>49,673.77</u>	<u>-</u>	<u>13,755.73</u>	<u>63,429.50</u>
Total Assets	<u><u>\$ 731,965.38</u></u>	<u><u>\$ 81,082.63</u></u>	<u><u>\$ 207,074.19</u></u>	<u><u>\$ 1,020,122.20</u></u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 3,198.27	\$ 1,430.13	\$ 131.00	\$ 4,759.40
Interfunds Payable	683.07	1,393.65		2,076.72
Total Current Liabilities	<u>3,881.34</u>	<u>2,823.78</u>	<u>131.00</u>	<u>6,836.12</u>
NET ASSETS				
Invested in Capital Assets net of Related Debt	49,673.77		13,755.73	63,429.50
Unrestricted (Deficit)	678,410.27	78,258.85	193,187.46	949,856.58
Total Net Assets	<u><u>\$ 728,084.04</u></u>	<u><u>\$ 78,258.85</u></u>	<u><u>\$ 206,943.19</u></u>	<u><u>\$ 1,013,286.08</u></u>

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

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund			
	Food Service	Kids Corner Program	Community Education	Totals Enterprise
Operating Revenues:				
Charges for Services:				
Daily Sales - Reimbursable Programs	\$ 416,870.84	\$ -	\$ -	\$ 416,870.84
Daily Sales - Non-reimbursable Programs	166,436.68			166,436.68
Special Functions	21,838.64			21,838.64
Miscellaneous	1,326.14			1,326.14
Community Service Activities	19,050.65	236,926.90	227,608.42	483,585.97
Total Operating Revenue	<u>625,522.95</u>	<u>236,926.90</u>	<u>227,608.42</u>	<u>1,090,058.27</u>
Operating Expenses:				
Cost of Sales	591,904.34			591,904.34
Salaries	545,997.01	191,537.04	119,328.82	856,862.87
Employee Benefits	118,098.49	14,652.56	9,128.63	141,879.68
Purchased Property Service	17,832.75	20,864.20	18,274.39	56,971.34
General Supplies	35,635.66	6,909.99	29,743.50	72,289.15
Depreciation	10,578.94		1,855.89	12,434.83
Total Operating Expenses	<u>1,320,047.19</u>	<u>233,963.79</u>	<u>178,331.23</u>	<u>1,732,342.21</u>
Operating Income (Loss)	(694,524.24)	2,963.11	49,277.19	(642,283.94)
Nonoperating Revenues (Expenses):				
State Sources:				
State School Lunch Program	26,814.14			26,814.14
State School Breakfast Program	16,454.00			16,454.00
Federal Sources:				
National School Lunch Program	535,911.21			535,911.21
National School Breakfast Program	194,002.01			194,002.01
Special Milk Program	5,703.09			5,703.09
Food Distribution Program	98,270.68			98,270.68
Loss on Disposal of Fixed Assets	(190.00)			(190.00)
Interest and Investment Income	8,338.03	1,275.69	1,098.60	10,712.32
Total Nonoperating Revenues (Expenses)	<u>885,303.16</u>	<u>1,275.69</u>	<u>1,098.60</u>	<u>887,677.45</u>
Income (Loss) before Transfers	<u>190,778.92</u>	<u>4,238.80</u>	<u>50,375.79</u>	<u>245,393.51</u>
Transfers In (Out)	<u>(50,000.00)</u>	<u>(10,000.00)</u>	<u>10,000.00</u>	<u>(50,000.00)</u>
Changes in Net Assets	140,778.92	(5,761.20)	60,375.79	195,393.51
Total Net Assets - Beginning	<u>587,305.12</u>	<u>84,020.05</u>	<u>146,567.40</u>	<u>817,892.57</u>
Total Net Assets - Ending	<u>\$ 728,084.04</u>	<u>\$ 78,258.85</u>	<u>\$ 206,943.19</u>	<u>\$ 1,013,286.08</u>

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

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund			
	Food Service	Kids Corner	Community Education	Totals Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 615,230.61	\$ 236,926.90	\$ 227,608.42	\$ 1,079,765.93
Payments to employees	(545,997.01)	(191,537.04)	(119,328.82)	(856,862.87)
Payments for employee Benefits	(118,098.49)	(14,652.56)	(9,128.63)	(141,879.68)
Payments for Suppliers	(650,960.90)	(26,005.46)	(47,886.89)	(724,853.25)
Net Cash Provided by (Used for) Operating Activities	<u>(699,825.79)</u>	<u>4,731.84</u>	<u>51,264.08</u>	<u>(643,829.87)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Sources	43,268.14			43,268.14
Federal Sources	833,886.99			833,886.99
Operating Subsidies and Transfers to Other Funds	(50,000.00)	(10,000.00)	10,000.00	(50,000.00)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>827,155.13</u>	<u>(10,000.00)</u>	<u>10,000.00</u>	<u>827,155.13</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of Capital Assets	(18,053.86)		(7,535.00)	(25,588.86)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(18,053.86)</u>	<u>-</u>	<u>(7,535.00)</u>	<u>(25,588.86)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest and Dividends	8,338.03	1,275.69	1,098.60	10,712.32
Net Cash Provided by (Used for) Investing Activities	<u>8,338.03</u>	<u>1,275.69</u>	<u>1,098.60</u>	<u>10,712.32</u>
Net Increase (Decrease) in Cash and Cash Equivalents	117,613.51	(3,992.47)	54,827.68	168,448.72
Balance - Beginning of Year	496,384.87	85,075.10	138,490.78	719,950.75
Balance - End of Year	<u>\$ 613,998.38</u>	<u>\$ 81,082.63</u>	<u>\$ 193,318.46</u>	<u>\$ 888,399.47</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (694,524.24)	\$ 2,963.11	\$ 49,277.19	\$ (642,283.94)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Net Amortization	10,578.94		1,855.89	12,434.83
(Increase) Decrease in Accounts Receivable	(10,292.34)			(10,292.34)
(Increase) Decrease in Inventory	(1,097.92)			(1,097.92)
Increase (Decrease) in Accounts Payable	(4,490.23)	1,768.73	131.00	(2,590.50)
Total Adjustments	<u>(5,301.55)</u>	<u>1,768.73</u>	<u>1,986.89</u>	<u>(1,545.93)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (699,825.79)</u>	<u>\$ 4,731.84</u>	<u>\$ 51,264.08</u>	<u>\$ (643,829.87)</u>

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

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Assets
June 30, 2009

	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 170,060.16	\$ 3,063.96	\$ 128,298.69
Interfunds Receivable		<u>4,942.97</u>	
Total Assets	<u>170,060.16</u>	<u>8,006.93</u>	<u>128,298.69</u>
LIABILITIES			
Accounts Payable	21,686.23		
Interfunds Payable			4,942.97
Payable to Students			123,175.21
Payroll Deductions and Withholdings			180.51
Total Liabilities	<u>21,686.23</u>	<u>-</u>	<u>\$ 128,298.69</u>
NET ASSETS			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 148,373.93</u>		
Reserved for Scholarships		<u>\$ 8,006.93</u>	

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

TOWNSHIP OF HAMILTON SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2009

	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 71,347.70	\$ -
Other	14,000.00	-
Total Contributions	<u>85,347.70</u>	<u>-</u>
Investment Earnings:		
Interest	1,843.33	301.19
Less: Investment Expense		
Net Investment Earnings	<u>1,843.33</u>	<u>301.19</u>
Total Additions	<u>87,191.03</u>	<u>301.19</u>
DEDUCTIONS		
Quarterly Contribution Reports		
Unemployment	16,784.36	
Family Leave	9,993.00	
Unemployment Claims	30,855.06	
Scholarships Awarded	-	275.00
Total Deductions	<u>57,632.42</u>	<u>275.00</u>
Changes in Net Assets	29,558.61	26.19
Net Assets - Beginning of the Year	118,815.32	7,980.74
Net Assets - End of the Year	<u><u>\$ 148,373.93</u></u>	<u><u>\$ 8,006.93</u></u>

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

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District 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 purpose of the district is to educate students in grades K to 8. The operations of the District include elementary and middle schools located in the Township of Hamilton School District.

In evaluating how to define the governmental reporting entity, the District follows the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. On this basis, the District's financial reporting entity has no component units.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

The School District's basic financial statements consist of District-wide statements (i.e. statement of net assets and a statement of activities) and fund financial statements, which provide a more detailed level of financial information.

District-Wide Financial Statements: The statement of net assets and the statement of activities display information about the district as a whole. These statements report the financial activities of the overall District, except for fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by property taxes, intergovernmental revenues, and other non-exchange transactions from business-type activities, generally financed in whole or in part with fees charged to external parties.

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) charges and fees 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 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.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Basis of Presentation - Continued

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 information about the District's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* - are presented. The New Jersey Department of Education ("Department") 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 Department believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

Governmental Funds

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all expendable 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 budgeted capital outlay in this fund. 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.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Proprietary Funds

The District reports the following proprietary fund:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations – where the intent of the District is that the costs of providing goods or services be financed or recovered primarily through user charges.

The District's Enterprise Fund is comprised of the Food Service Fund, Kids Corner Fund and Community Education Fund, which accounts for all revenues and expenses pertaining to the District's enterprise operations.

Fiduciary Funds

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

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include the Unemployment Compensation Insurance Trust.

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District maintains the Schuler Graduation Scholarship Fund and The McNamara Graduation Scholarship Fund as Nonexpendable Trust Funds.

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

Measurement Focus and Basis of Accounting

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

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Measurement Focus and Basis of Accounting - Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for special revenue funds. 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:23-2.2(g). All budget amendments/transfer must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year.

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and 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.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Encumbrance Accounting

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 deferred revenues at fiscal year end.

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

E. Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, bank deposits 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.

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

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

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Interfund Transactions

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise Fund. Repayments from funds responsible for particular expenditure/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories

Inventories, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Inventories in the Enterprise Fund are recorded at cost, computed on a first-in, first out method. In the fund based financial statements, commodities received from the U.S. Department of Agriculture are recorded as deferred revenue until consumed.

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 assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. 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 over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Compensated Absences

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

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Compensated Absences - Continued

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received in the Special Revenue Fund before they have been earned are recorded as deferred revenue.

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. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

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.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

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. A fund balance reserve has been established for encumbrances.

Revenues – Exchange and Nonexchange Transactions

Revenues 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.

Nonexchange 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 income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlement, and donations is recognized in the period 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 specific purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange 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 as an advance, interest and tuition.

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.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unity Deposit Protection Act. Of the School District's bank Balance of \$4,164,851.39 as of June 30, 2009, \$361,982.11 was uninsured and uncollateralized.

Investments

N.J.S.A. 40A:5-15.1 provides specific guidance for the allowable investment of public funds. In order to maximize liquidity, while complying with statutory requirements, the District utilizes the New Jersey Cash Management Fund ("NJCMF") and New Jersey's Asset and Rebate management Program ("NJ/ARM") for investing purposes.

The NJCMF is administered by New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term commercial paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. At June 30, 2009, the Borough's balance was \$25,811.18.

The NJ/ARM is an external investment pool administered by a third party. It invests pooled monies from various local governmental units within the State of New Jersey in primarily short-term investments. These investments include: U.S. Treasury bills and notes and other obligations guaranteed by the United States of America, Federal agency bonds and notes with a maturity no greater than 397 days, and repurchase agreements fully collateralized by U.S. Treasury or Federal agency obligations. Monies can be freely added or withdrawn from the NJ/ARM on a daily basis without penalty. At June 30, 2009, the District's balance was \$476,567.18.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Investments - Continued

Credit Risk: The NJ/ARM is rated “AAAm” by Standard and Poor’s. The NJCMF is not rated. The District does not have an investment policy regarding the management of credit risk.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. As noted below, the investment in the NJ/ARM has a weighted average maturity of 1 day at June 30, 2009. Weighted average maturity was not available for the New Jersey Cash Management Fund.

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
New Jersey Cash Management Fund	\$ 25,811.18	not available
NJ/ARM	<u>476,569.18</u>	1
	<u><u>\$ 502,380.36</u></u>	

NOTE 3 – RECEIVABLES

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

	<u>Governmental Fund Financial Statements</u>	<u>District Wide Financial Statements</u>
State Aid	\$ 540,829.79	\$ 543,677.15
Federal Aid	409,447.82	458,690.80
Interfunds	427,881.75	-
Other	<u>28,975.03</u>	<u>30,857.17</u>
Gross Receivables	1,407,134.39	1,033,225.12
Less: Allowance for Uncollectibles		
Total Receivables, Net	<u><u>\$ 1,407,134.39</u></u>	<u><u>\$ 1,033,225.12</u></u>

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 4 – INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to (1) move investment income earned in the Capital Projects Fund that is required to be expended in the Debt Service Fund; (2) repay expenses paid by another fund; and (3) make a Board contribution to the Unemployment Compensation Trust Fund.

The following interfund balances remained on the fund financial statements at June 30, 2009:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 427,881.75	\$
Special Revenue Fund		336,642.21
Capital Projects Fund		90,556.47
Food Service Fund	1,393.65	683.07
Kids Corner Program		1,393.65
Total	\$ <u>429,275.40</u>	\$ <u>429,275.40</u>

NOTE 5 – INVENTORY

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

Food	\$ 10,789.81
Supplies	<u>2,137.29</u>
	\$ <u>12,927.10</u>

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Deletions</u>		<u>Ending Balance</u>
Governmental activities:							
Capital assets, not being depreciated:							
Land	\$ 1,423,600.00	\$		\$		\$	1,423,600.00
Construction in Progress	23,571,531.19		751,347.77		809,882.10		23,512,996.86
Total capital assets not being depreciated	<u>24,995,131.19</u>		<u>751,347.77</u>		<u>809,882.10</u>		<u>24,936,596.86</u>
Capital assets being depreciated:							
Site Improvements	222,963.60		55,271.66				278,235.26
Buildings and building improvements	45,770,703.27		1,121,084.28				46,891,787.55
Machinery and Equipment	2,279,752.85		176,229.98		26,442.20		2,429,540.63
Licensed Vehicles	89,058.00		32,552.00		26,563.00		95,047.00
Total capital assets being depreciated at							
historical cost	<u>48,362,477.72</u>		<u>1,385,137.92</u>		<u>53,005.20</u>		<u>49,694,610.44</u>
Less accumulated depreciation for:							
Site Improvements	(51,881.48)		(13,612.27)				(65,493.75)
Buildings and Building Improvements	(19,364,418.23)		(866,703.73)				(20,231,121.96)
Machinery and Equipment	(2,053,235.75)		(96,854.95)		(26,442.20)		(2,123,648.50)
Licensed Vehicles	(84,516.00)		(6,340.00)		(26,563.00)		(64,293.00)
Total capital assets being depreciated,							
net of accumulated depreciation	<u>26,808,426.26</u>		<u>401,626.97</u>		<u>-</u>		<u>27,210,053.23</u>
Governmental activity capital assets, net	<u>\$ 51,803,557.45</u>	\$	<u>1,152,974.74</u>	\$	<u>809,882.10</u>	\$	<u>52,146,650.09</u>
Business-type activities:							
Capital assets being depreciated:							
Equipment	\$ 445,520.41	\$	25,588.86	\$	40,845.00	\$	430,264.27
Less accumulated depreciation	(395,054.94)		(12,434.83)		(40,655.00)		(366,834.77)
Enterprise Fund capital assets, net	<u>\$ 50,465.47</u>	\$	<u>13,154.03</u>	\$	<u>190.00</u>	\$	<u>63,429.50</u>

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 7 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	Balance July 1, 2008		Issues or Additions		Payments or Expenditures		Balance June 30, 2009		Amounts Due Within One Year
Compensated									
Absences	\$ 1,844,480.25	\$	248,948.22	\$	-	\$	2,093,428.47	\$	
Capital Leases	129,874.75		-		51,506.37		78,368.38		40,762.29
Bonds Payable	<u>34,587,000.00</u>		<u>998,000.00</u>		<u>3,250,000.00</u>		<u>32,335,000.00</u>		<u>3,455,000.00</u>
	<u>\$ 36,561,355.00</u>	\$	<u>1,246,948.22</u>	\$	<u>3,301,506.37</u>	\$	<u>34,506,796.85</u>	\$	<u>3,495,762.29</u>

Compensated absences and capital leases have been liquidated in the General Fund.

Bonds Payable

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

At June 30, 2009, bonds payable consisted of the following issues:

\$8,240,000 Refunding Bonds dated September 17, 2002, due in annual installments through December 15, 2015, bearing interest at a rate of 4.90% per annum. The balance remaining as of June 30, 2009 is \$4,280,000.

\$15,865,000 School Improvement Bonds dated July 15, 2003, due in annual installments through July 15, 2018, bearing interest at varying rates. The balance remaining as of June 30, 2009 is \$14,495,000.

\$21,535,000 Refunding Bonds dated July 15, 2003, due in annual installments through December 15, 2015, bearing interest at varying rates. The balance remaining as of June 30, 2009 is \$11,625,000.

\$997,000 School Improvement Bonds dated July 15, 2007, due in annual installments through July 15, 2017, bearing interest at a rate of 4.375% per annum. The balance remaining as of June 30, 2009 is \$937,000.

\$998,000 School Improvement Bonds dated July 15, 2008, due in annual installments through July 15, 2018, bearing interest at a rate of 5.000% per annum. The balance remaining as of June 30, 2009 is \$998,000.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 7 – LONG-TERM OBLIGATIONS - Continued

Debt service requirements on serial bonds payable at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 3,455,000.00	\$ 1,274,073.52	\$ 4,729,073.52
2011	3,360,000.00	1,117,149.13	4,477,149.13
2012	3,280,000.00	987,086.63	4,267,086.63
2013	3,415,000.00	852,199.26	4,267,199.26
2014	3,550,000.00	705,508.38	4,255,508.38
2015-2019	15,275,000.00	1,465,977.77	16,740,977.77
	<u>\$ 32,335,000.00</u>	<u>\$ 6,401,994.69</u>	<u>\$ 38,736,994.69</u>

Capital Leases

The District is leasing a Telephone System totaling \$29,348.22, Textbooks totaling \$72,486.58, Digital Duplicator totaling \$9,703.00, Computer Equipment totaling \$77,820.92, and a 2008 ford Truck with Plow totaling \$25,165.00 under capital leases. The following is a schedule of the future minimum lease payments under these capital leases and the net minimum lease payments at June 30, 2009:

Fiscal Year Ending June 30,	Principal
2010	\$ 45,880.57
2011	36,779.21
2012	3,112.84
Total minimum lease payments	<u>85,772.62</u>
Less amount representing interest	<u>7,404.24</u>
Present value of lease payments	<u>\$ 78,368.38</u>

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 8 – OPERATING LEASES

The District has commitments to lease certain office equipment under operating leases that expire in 2014. Total operating lease payments made during the year ended June 30, 2009 were \$100,063.68. Future minimum lease payments are as follows:

Year Ending June 30,	Principal
2010	\$ 88,971.03
2011	85,699.38
2012	74,430.98
2013	45,009.17
2014	16,050.96
Total future minimum lease payments	<u>\$ 310,161.52</u>

NOTE 9 – PENSION PLANS

Description of Plans - All required 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.

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.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 9 – PENSION PLANS - Continued

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contribution amounts for each pay period are required to be transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District has no employees enrolled in the Defined Contribution Retirement Program (DCRP) during the fiscal year ended June 30, 2009.

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.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) that changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

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 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

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 9 – PENSION PLANS - Continued

Three Year Trend Information for PERS				
Year Funding		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/09	\$	322,063.00	100%	\$ 322,063.00
06/30/08		338,589.00	80%	270,871.20
06/30/07		207,848.00	60%	124,708.80

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
6/30/2009	\$	1,077,780.00	100%	\$ 1,077,780.00
6/30/2008		1,902,191.00	100%	1,902,191.00
6/30/2007		1,645,769.00	100%	1,645,769.00

During the fiscal year ended June 30, 2009, the State of New Jersey contributed \$1,077,780.00 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 \$1,322,952.60 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 basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB Statement No. 24.

NOTE 10 – POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program ("the SHBP"), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits 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.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 10 – POST-RETIREMENT BENEFITS - Continued

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, C. 103 amended the law to eliminate the funding and payment of post-retirement medical benefits for retired state employees through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2008, 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 P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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 P.L. 1992 c. 126 which provides free health benefits for members PERS and the Alternative Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.1 million toward Chapter 126 benefits for 12,545 eligible retired members in Fiscal Year 2008.

NOTE 11 – COMPENSATED ABSENCES

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

The liability for vested compensated absences for the governmental fund types is recorded in current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability of compensated absences.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2009, no liability existed for compensated absences in the Enterprise Funds.

NOTE 12 – DEFERRED COMPENSATION

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

Thomas Seely Agency
Lincoln Investment
Syracusa Benefits Program
Equitable Life

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 13 – CAPITAL RESERVE ACCOUNT

A capital reserve account was established by The Township of Hamilton 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 approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A 19:60-2. Pursuant to N.J.A.C. 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its 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	\$ 419,025.24
Transfer of Funds	100,000.00
Interest earnings	<u>5,890.37</u>
Ending Balance, June 30, 2009	<u>\$ 524,915.61</u>

NOTE 14 – RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>		<u>District Contributions</u>		<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2008-2009	\$	14,000.00	\$	71,347.70	\$ 53,416.81	\$ 152,589.54
2007-2008		15,000.00		49,115.74	40,982.30	118,815.32
2006-2007		10,000.00		51,394.85	30,382.37	92,571.00

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 15 – CONTINGENT LIABILITIES

Federal and State Grants

The District participates in a number of federal and state grant programs. The grant programs are subject to program compliance audits by the grantors or their representatives. The 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 would result in the disallowance of program expenditures.

NOTE 16 – FUND BALANCE APPROPRIATED

General Fund - Of the \$1,296,975.21 General Fund fund balance at June 30, 2009, \$87,532.46 is reserved for encumbrances; \$524,915.61 has been reserved in the Capital Reserve Account; \$50,000.00 has been reserved as Emergency Reserve; \$50,000.00 has been reserved as Maintenance Reserve; \$1,668,451.21 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$844,499.42 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2010); \$205,466.58 of unreserved fund balance has been appropriated and included as anticipated revenue for the year ending June 30, 2010; and the District has a deficit of \$1,083,924.07 at June 30, 2009.

Debt Service Fund – Of the \$90.03 Debt Service Fund fund balance at June 30, 2009, \$1.18 is unreserved and undesignated and \$89.00 has been appropriated and included as anticipated revenue for the 2009-10 year.

NOTE 17 – CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c73 (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 fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount of budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2009 is \$1,688,451.21.

NOTE 18 – DEFICIT FUND BALANCE

The District has a deficit fund balance of \$1,083,924.07 in the General Fund and \$38,548.00 in the Special Revenue Fund as of June 30, 2009 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition, (revenue, expenditures, asset, liability) should be in symmetry, i.e. if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

**TOWNSHIP OF HAMILTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)**

NOTE 18 – DEFICIT FUND BALANCE - Continued

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance or special revenue fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered a violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statement of \$1,083,924.07 in the General Fund and \$38,548.00 in the Special Revenue Fund is equal to or less than the last state aid payment.

NOTE 19 – STATE AID NOTE PAYABLE

On June 5, 2009, the District borrowed \$659,727 because the last two state aid payments were delayed by the State of New Jersey until July 2009. The note has an interest rate of 3.00% and is due on July 7 or 9, 2009. The interest due on that date is paid by the State of New Jersey.

APPENDIX C

Form of Approving Legal Opinion

McMANIMON & SCOTLAND, L.L.C.

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The Board of Education of the
Township of Hamilton in the
County of Atlantic, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Township of Hamilton in the County of Atlantic, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$4,824,000 School Bonds, dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on July 21, 2009 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on September 29, 2009 and (iii) a resolution duly adopted by the Board of Education on May 11, 2010. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the school district without limitation as to rate or amount.

The Board of Education has covenanted to comply with continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve tax exemption under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain requirements of the Code may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenant and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education, it is our opinion that interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the federal alternative

minimum tax imposed on individuals and corporations. Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds is not counted in determining “adjusted current earnings” for the purpose of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

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

Very truly yours,