

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 15, 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, 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

**THE BOARD OF EDUCATION OF THE
PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT #1
IN THE COUNTY OF PASSAIC, NEW JERSEY
\$6,788,000 SCHOOL BONDS
(Callable) (Book-Entry-Only) (Bank Qualified)**

Dated: Date of Delivery

Due: July 15, as shown below

The \$6,788,000 School Bonds (the "Bonds") of The Board of Education of the Passaic Valley Regional High School District #1 in the County of Passaic, 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 January 15 and July 15 in each year until maturity or earlier redemption, commencing July 15, 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 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS-Redemption" herein.

The Bonds are 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, YIELDS AND CUSIPS

<u>Year</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$325,000	%			2019	\$625,000	%		
2013	350,000				2020	625,000			
2014	350,000				2021	650,000			
2015	400,000				2022	650,000			
2016	450,000				2023	650,000			
2017	450,000				2024	638,000			
2018	625,000								

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, Bond Counsel to the Board, and certain other conditions described herein. Certain matters will be passed upon for the Board by its General Counsel, Piro, Zinna, Cifelli, Paris & Genitempo, Nutley, New Jersey. 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 July 8, 2010.

**ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY UNTIL 11:30 A.M. ON JUNE 17, 2010 FOR
THE BONDS. FOR MORE INFORMATION, VIEW THE NOTICE OF SALE POSTED AT
WWW.I-DEALPROPSECTUS.COM. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VISIT
THE WEBSITE ADDRESS LISTED ABOVE.**

**THE BOARD OF EDUCATION OF THE PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT #1
IN THE COUNTY OF PASSAIC, NEW JERSEY**

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Piro, Zinna, Cifelli, Paris & Genitempo
Nutley, New Jersey

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McManimon & Scotland, L.L.C.
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
PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT #1
IN THE COUNTY OF PASSAIC, NEW JERSEY
\$6,788,000
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 Passaic Valley Regional High School District #1, in the County of Passaic, 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 \$6,788,000 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 July 8, 2010 and shall mature on July 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from July 8, 2010, which interest shall be payable semi-annually on the fifteenth day of January and July commencing on July 15, 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 1 and July 1 immediately preceding the respective Interest Payment Dates (the “Record Dates”). So long as The Depository Trust Company, New York, New York (“DTC”) or its nominee 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 July 15, 2021 are not subject to optional redemption. The Bonds maturing on or after July 15, 2021 shall be subject to redemption at the option of the Board, in whole or in part, on any date after July 15, 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 October 14, 2008 and approved by a majority of the legal voters present and voting at the school district election held on December 9, 2008 and by a resolution duly adopted by the Board on May 25, 2010 (the "Resolution").

The purpose of the Bonds is to provide for renovations and improvements at Passaic Valley Regional High School consisting of paving of parking lots and driveways, replacement of windows and doors, major repair or replacement of roofs and improvement of the HVAC system, including acquisition and installation of equipment, all related work and site work. The total cost of the project is \$6,788,040. The Bonds will also be used to current refund the \$2,875,000 Temporary Note, dated August 19, 2009 and maturing August 9, 2010. The project will be permanently funded through the issuance of the Bonds and the remaining \$40 will be made available through other funds of the Board.

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 the ninth through twelfth grades. 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 for students in the ninth through twelfth grades, including regular and special education programs. The School District is comprised of the communities of the Township of Little Falls, Borough of Totowa and Borough of Woodland Park, all in the County of Passaic (collectively, the "Constituent Municipalities").

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the 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 NJSA 18A:7F-37 *et seq.* (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 the Constituent Municipalities. 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.

NJSA 18A:7F-37 *et seq.* (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. Otherwise, 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 NJSA 18A:7F-37 *et seq.*

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 grade nine through twelve school district, the School District can borrow up to 3% of the average equalized valuation of taxable property in the School District. The School District has not exceeded its 3% 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 borrowing margin of the Constituent Municipalities. 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 cannot 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, NJSA 18A:7G-1 *et seq.* (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 NJSA 18A:18A-4.6 *et seq.* (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, c. 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, NJSA 18A:7G-1 *et seq.* (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, NJSA 18A:7G-1 *et seq.* 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 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, distance learning network 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 \$217,658 of its State aid will be withheld through the end of the current fiscal year. The Board developed a plan that involved 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 \$1,456,815 for fiscal year 2010 to \$374,503 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. The Board is eligible to receive debt service aid equal to approximately 40% of the annual debt service due.

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 Constituent Municipalities are general full faith and credit obligations.

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

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

The Constituent Municipalities may exceed their debt limits with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Constituent Municipalities 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 Constituent Municipalities or substantially reduce the ability of the Constituent Municipalities 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 Constituent Municipalities 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 Constituent Municipalities 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 Constituent Municipalities, which operate on a calendar year, 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, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "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, legislation NJSA 18A:7F-38 (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 Constituent Municipalities to levy ad valorem taxes upon all taxable real property within the Constituent Municipalities 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 Constituent Municipalities’ Local School District and the County, the tax rate is struck by the Passaic 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 Constituent Municipalities’ Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

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

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Constituent Municipalities 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 Passaic 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 Lerch, Vinci & Higgins, LLP, Fair Lawn, 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 Passaic Valley Regional High School District #1, in the County of Passaic, New Jersey".

LITIGATION

To the knowledge of the Board attorney, Raymond Reddin, Esq. of Piro, Zinna, Cifelli, Paris & Genitempo, Nutley, 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. 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 McManimon & Scotland, L.L.C., 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 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 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 Appendix A and Appendix B 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 expresses no opinion with respect thereto.

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

RATING

Standard & Poor's Rating Services, a division of the McGraw-Hill Companies (the "Rating Agency") has assigned a rating of "AA" to the Bonds based on the New Jersey School Bond Reserve. In addition, the Rating Agency has assigned an underlying rating of "A+" to the School District and the Bonds.

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 the 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 failed to provide its annual financial information in connection with its prior undertakings, but as of the date hereof is now 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 Paul Gerber, Business Administrator/Board Secretary at (973)890-2500.

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 PASSAIC VALLEY
REGIONAL HIGH SCHOOL DISTRICT #1, IN THE COUNTY OF
PASSAIC, NEW JERSEY**

By: _____
Paul Gerber, Business Administrator/Board Secretary

APPENDIX A

Economic and Demographic Information Relating to the School District

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING
TO THE SCHOOL DISTRICT AND THE BOROUGH OF
TOTOWA, WOODLAND PARK AND THE TOWNSHIP OF LITTLE FALLS, IN THE COUNTY
OF PASSAIC, STATE OF NEW JERSEY**

Summary

The regional school district located in the Township of Little Falls, in the County of Passaic, State of New Jersey (the “Township”) is operated by the Board of Education and is comprised of the Boroughs of Totowa, Woodland Park and the Township of Little Falls, in the County of Passaic, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed thereby), as a Type II School District. It functions independently through a nine (9) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning and operational functions of the School District. The Board operates a grade nine (9) through grade twelve (12) district which houses its students in one (1) high school. These schools include class rooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, a cafeteria and gymnasium.

SCHOOL DISTRICT ENROLLMENT

Fiscal Year	Total School District Enrollment ¹
2008-2009	1,296
2007-2008	1,302
2006-2007	1,309
2005-2006	1,287
2004-2005	1,227
2003-2004	1,227
2002-2003	1,080

Staff¹

The Superintendent is the chief administrative officer of the School District. The Business Administrator/Board Secretary oversees the business functions of the Board and reports through the Superintendent to the Board. The School District employs the following staff (Including part-time employees):

Description

Teaching Staff (Including Aides).....	125
Administrators and Principals	5
Professional and Office Staff	15
Custodial/Maintenance.....	20
 Total	 165

Labor Relations²

The Board has tentatively settled a three (3) year contract for the period July 1, 2009 through June 30, 2012 with the Passaic Valley Regional Education Association.

¹ Source: Business Administrator/Board Secretary; Board records

² Source: Business Administrator/Board Secretary; Board records

Comparison of General Fund Revenues and Appropriations

	(Budget) Fiscal Year <u>2009-2010</u>	(Actual) Fiscal Year <u>2008-2009</u>	(Actual) Fiscal Year <u>2007-2008</u>
GENERAL FUND			
REVENUES			
Budgeted Fund Balance	\$ 340,281		
Local Sources:			
Local Tax Levy	19,504,048	\$ 18,854,854	\$ 18,265,821
Transportation Fees from Other LEAs	200,000	196,021	214,293
Miscellaneous	125,000	73,013	125,586
State Sources	<u>1,502,910</u>	<u>1,456,098</u>	<u>1,497,617</u>
 TOTAL REVENUES	 <u>\$ 21,672,239</u>	 <u>\$ 20,579,986</u>	 <u>\$ 20,103,317</u>
 APPROPRIATIONS			
Instruction:			
Regular Programs	\$ 7,373,407	\$ 7,074,916	\$ 6,688,881
Special Education	762,685	692,427	791,802
Bilingual Education	20,960	527	19,498
School-Sponsored Co-curricular Activities	311,457	367,309	318,356
Co-Curricular/School-Sponsored Athletics	673,032	653,398	649,847
Undistributed Expenditures:			
Instruction	2,009,522	1,931,596	1,620,428
Health Services	182,425	167,297	148,887
Other Support Services - Related/Extra Svcs	50,000	22,713	27,163
Other Support Services - Regular	722,017	684,422	657,422
Other Support Services - Special	401,533	333,337	339,179
Media/Library	309,321	241,355	205,619
General Administration	552,480	566,032	534,266
School Administration	594,020	601,108	559,241
Central Services and Admin. Info. Technology	386,196	522,997	596,970
Administration Information Technology	228,913	314,038	175,043
Required Maintenance for School Facilities	607,255	453,697	481,097
Other Operations and Maintenance of Plant	2,159,675	1,809,000	1,743,898
Transportation	1,613,208	1,573,153	1,566,929
Personnel Services - Employee Benefits	<u>2,456,032</u>	<u>2,240,934</u>	<u>2,293,080</u>
	21,414,138	20,250,256	19,417,606
Transfer of Funds to Charter Schools	10,101		
Capital Outlay	<u>248,000</u>	<u>284,411</u>	<u>224,033</u>
 TOTAL APPROPRIATIONS/EXPENDITURES	 <u>\$ 21,672,239</u>	 <u>\$ 20,534,667</u>	 <u>\$ 19,641,639</u>

* All years exclude TPAF Pension and Social Security on behalf payments

School District Debt Limit and Borrowing Margin³

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to three percent (3.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Borough and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Borough for the last three (3) years and the School District's available borrowing margin as of December 31, 2009 are summarized below:

<u>Year</u>	<u>Amount</u>
2007	\$ 6,050,811,822
2008	6,366,698,112
2009	<u>6,239,547,873</u>
	<u>\$ 18,657,057,807</u>
Average for the Three (3) Year Period	\$ 6,219,019,269
School District Borrowing Margin (3.0% of \$6,219,019,269)	186,570,578
Net School Debt as of December 31, 2009	<u>2,042,143</u>
Available School District Borrowing Margin	<u>\$ 184,528,435</u>

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT AS OF DECEMBER 31, 2009⁴

Net Debt of School District as of December 31, 2009	\$ 2,042,143
Overlapping Debt of School District:	
Township of Little Falls	20,559,919
Borough of Totowa	2,456,750
Borough of Woodland Park	<u>14,470,504</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 39,529,316</u>

³ Source: The Boroughs of Totowa, Woodland Park and the Township of Little Falls 2009 Annual Debt Statements

⁴ Source: The Boroughs of Totowa, Woodland Park and the Township of Little Falls 2009 Annual Debt Statements

TOWNSHIP OF LITTLE FALLS

GENERAL, DEMOGRAPHIC, FINANCIAL, AND DEBT INFORMATION

GENERAL INFORMATION

Size and Geographical Location

The Township is located in Passaic County and adjoins a portion of Essex County. The Township is bordered by the City of Clifton, Borough of Woodland Park, the Borough of Totowa, the Township of Wayne, the Borough of North Caldwell, the Township of Cedar Grove and the Township of Montclair.

The land area of the Township is 2.8 square miles. The estimated density of population per square mile is 4,033. The community consists mainly of one and two family residential homes with a minimal amount of industrial and commercial development.

Form of Government

The Township was incorporated by Chapter 34 of the Laws of 1868. It is governed by a Township Council consisting of five council persons, each of whom is elected by the voters for a term of four years. The Mayor is elected by the voters for a term of four years.

Transportation

The Township is located about 18 miles from New York City. New Jersey Transit provides bus service to New York City, the City of Newark and the City of Paterson. Rail services are provided on the Boonton Line which connects to New York City via the PATH Line. State Highways Route 23 and Route 46 pass through the Township.

Public Safety

The Township is served by a volunteer fire department with approximately 100 members. The department is equipped with modern fire apparatus which is purchased and owned by the Township. There are 10 pieces of equipment including 6 pumpers, a ladder truck, a rescue truck, the Chief's vehicle and a fire prevention vehicle. The Township makes an annual appropriation in its budget for the operating expenses of the fire department.

The police department is a full-time police department consisting of 19 police officers and one detective. Police headquarters is maintained in the a separate building and the police department is furnished with modern police equipment. The vehicle fleet is comprised of marked and unmarked automobiles and the Police Chief's vehicle.

Health and Sanitation

All matters concerning health are within the jurisdiction of the Board of Health, the members of which are the members of the Township Council, a local physician and the Township Clerk. The Board operates as an independent body with legislative powers in local public health matters and is served by an appointed health officer and nurse.

Garbage is collected twice weekly by the municipality.

Utilities

Gas and electric are supplied by the Public Service Electric and Gas Company. The Township utilizes the facilities of the Passaic Valley Sewerage Commission for the treatment of sewage. The water supply system is operated by the New Jersey American Water Company.

Recreation

The recreation commission operates a full recreation program for all age groups, offering adult and youth sports, year round trips, summer day camps and tennis at the Community Center.

Education

The local K-8 school district is an independent school district and is governed by the New Jersey statutes relating to Type II school districts. It is governed by an elected seven-member Board of Education, the members of which serve for three-year terms. In addition, the Township of Little Falls is a member of the Passaic County Regional High School District No. 1, which consists of the Township of Little Falls, the Borough of Woodland Park and the Borough of Totowa. The school facilities for the Regional High School are located in the Township.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

For the years 2005 through 2009, the New Jersey Department of Labor reported the following annual average employment information for Township of Little Falls, the County of Passaic and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township of Little Falls</u>				
2009	6,609	5,915	694	10.5%
2008	6,399	6,054	345	5.4%
2007	6,290	6,029	262	4.2%
2006	6,326	6,042	285	4.5%
2005	6,217	5,944	273	4.4%
<u>County of Passaic</u>				
2009	244,662	217,276	27,386	11.2%
2008	240,413	224,047	16,366	6.8%
2007	237,995	225,321	12,674	5.3%
2006	240,340	226,956	13,384	5.6%
2005	236,900	224,048	12,852	5.4%
<u>State of New Jersey</u>				
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3%
2006	4,477,500	4,269,600	207,900	4.6%
2005	4,416,100	4,218,500	197,600	4.5%

Source: State of New Jersey, Department of Labor

Population

Population trends for the Township, County and the State of New Jersey since 1970 are shown below:

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2008</u>
Township of Little Falls	11,727	11,496	11,294	10,855	11,643
County of Passaic	460,782	447,585	453,060	489,049	490,948
State of New Jersey	7,171,112	7,365,011	7,730,188	8,414,350	8,682,661

Source: U.S. Census Bureau.

Income as of 1999¹

	Median Household <u>Income</u>	Median Family <u>Income</u>	Per Capita <u>Income</u>
Township of Little Falls	\$ 58,857	\$ 70,223	\$ 33,242
County of Passaic	49,210	56,054	21,370
State of New Jersey	55,146	65,370	27,006

¹

Source: State of New Jersey, Data Center, Money Income – New Jersey & Counties: 1999

FINANCIAL INFORMATION

Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2009 (Unaudited)	\$ 445,029	\$ 434,000
2008	1,168,941	760,000
2007	1,065,078	760,000
2006	1,055,383	736,000
2005	830,793	560,000

Source: Township of Little Falls Annual Audit Reports & 2009 (Unaudited) Annual Financial Statement.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2009 (Unaudited)	\$ 37,207,232	\$ 36,785,480	98.86%
2008	36,573,161	36,207,113	98.99%
2007	34,432,524	34,062,620	98.92%
2006	31,977,936	31,698,446	99.12%
2005	29,905,511	29,634,258	99.09%

Source: Township of Little Falls Annual Audit Reports & 2009 (Unaudited) Annual Financial Statement.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2009 (Unaudited)	\$ 1,357	\$ 317,056	\$ 318,413	0.86%
2008	13,348	294,649	307,997	0.84%
2007	88,751	282,531	371,282	1.08%
2006	-	249,642	249,642	0.78%
2005	295,129	258,948	554,077	1.85%

Source: Township of Little Falls Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

**Assessed Valuation of Property Owned by
the Township Acquired for Taxes**

<u>Year</u>	<u>Amount</u>
2009 (Unaudited)	\$ 825,100
2008	681,480
2007	681,480
2006	733,780
2005	464,380

Source: Township of Little Falls Annual Audit Reports & 2009 (Unaudited) Annual Financial Statement.

Ten Largest Taxpayers

The ten largest taxpayers in the Township and their 2009 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Inwood Owners Inc	\$ 27,000,000
Theta Holding Co	24,489,000
PAR 3 PAR 5	4,852,400
Ward Trucking Corp	4,748,700
North Jersey District	4,567,100
Grat Notch Village	4,296,200
Parl Falls Associates	3,750,000
Andrew Realty	3,750,000
St Hilltop Manor	3,596,100
AMB	3,300,000
	<u>\$ 84,349,500</u>

Source: Tax Assessor.

**Assessed Valuation
Land Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
2009 (1)	\$ 34,303,900	\$ 1,389,066,700	\$ 301,526,300	\$ 122,049,600	\$ 69,114,000	\$ 1,916,060,500
2008	16,872,000	542,293,100	96,911,800	39,977,300	28,454,700	724,508,900
2007	16,968,300	541,871,900	95,431,400	40,627,300	29,034,200	723,933,100
2006	16,927,800	539,021,600	95,079,000	40,627,300	29,779,200	721,434,900
2005	17,259,300	537,946,300	95,293,200	40,627,300	29,779,200	720,905,300

Source: Tax Duplicate.

Assessed Valuations
Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2009 (1)	\$ 1,916,060,500	\$ 7,056,766	\$ 1,923,117,266	97.11%	\$ 1,991,873,881
2008	724,508,900	2,484,700	726,993,600	37.10%	1,967,283,064
2007	723,933,100	2,484,700	726,417,800	38.75%	1,882,274,611
2006	721,434,900	3,378,452	724,813,352	42.99%	1,692,902,856
2005	720,905,300	3,378,452	724,283,752	46.60%	1,561,019,724

Source: Tax Duplicate and Abstract of Ratables of Passaic County

(1) The Township underwent a revaluation of real property which became effective January 1, 2009.

Components of Real Estate Tax Rate
(per \$100 of Assessment)

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2009 (1)	\$ 1.933	\$ 0.514	\$ 0.575	\$ 0.322	\$ 0.522
2008	5.018	1.304	1.446	0.903	1.365
2007	4.720	1.181	1.402	0.852	1.285
2006	4.390	1.021	1.344	0.797	1.228
2005	4.120	0.920	1.300	0.760	1.140

Source: Abstract of Ratables for Passaic County, State of New Jersey

(1) The Township underwent a revaluation of real property which became effective January 1, 2009.

DEBT INFORMATION

Debt Statements

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Township must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity As of December 31, 2009 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 1,944,804,646
3 1/2% Borrowing Margin	68,068,163
Net Debt Issued, Outstanding and Authorized	20,559,919
Remaining Municipal Borrowing Capacity	47,508,244
Regional School	
3% Borrowing Margin	58,344,139
Debt Issued, Outstanding and Authorized	638,617
Remaining School Borrowing Capacity	57,705,523
Local School	
3% Borrowing Margin	58,344,139
Debt Issued, Outstanding and Authorized	2,070,000
Remaining School Borrowing Capacity	56,274,139

Source: Township of Little Falls 2009 (Unaudited) Annual Debt Statement.

Statement of Indebtedness
As of December 31, 2009 (Unaudited)

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 14,231,000	
Bonds and Notes Authorized But Not Issued	<u>6,328,919</u>	
		\$ 20,559,919

REGIONAL SCHOOL

Bonds Issued and Outstanding		638,617
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LOCAL SCHOOL

Bonds Issued and Outstanding		<u>2,070,000</u>
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TOTAL GROSS DEBT		23,268,536
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STATUTORY DEDUCTIONS

Regional School	638,617	
Local School	<u>2,070,000</u>	
		<u>2,708,617</u>

TOTAL NET DEBT		<u>\$ 20,559,919</u>
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OVERLAPPING DEBT

County of Passaic (1)	\$ 12,241,962	
Passaic County Utilities Authority (2)	2,127,213	
Passaic Valley Sewage Commission (2)	<u>2,043,662</u>	

TOTAL OVERLAPPING DEBT		<u>\$ 16,412,837</u>
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GROSS DEBT

Per Capita (2008 Census - 11,643)	\$ 1,999
Percent of Net Valuation Taxable (2009 - \$1,923,117,266)	1.21%
Percent of Estimated True Value of Real Property (2009 - \$1,991,873,881)	1.17%

NET MUNICIPAL DEBT

Per Capita (2008 Census - 11,643)	\$ 1,766
Percent of Net Valuation Taxable (2009 - \$1,923,117,266)	1.07%
Percent of Estimated True Value of Real Property (2009 - \$1,991,873,881)	1.03%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2008 Census - 11,643)	\$ 3,408
Percent of Net Valuation Taxable (2009 - \$1,923,117,266)	2.06%
Percent of Estimated True Value of Real Property (2009 - \$1,991,873,881)	1.99%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2009 Passaic County Abstract of Ratables published by the Passaic County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.
Source: Township of Little Falls.

BOROUGH OF TOTOWA

GENERAL, DEMOGRAPHIC, FINANCIAL, AND DEBT INFORMATION

GENERAL INFORMATION

Size and Geographical Location

The Borough of Totowa, which is situated in the southwestern part of Passaic County in the New Jersey portion of the New York metropolitan area, encompasses an area of 4.2 square miles, bounded by Paterson, West Paterson, Little Falls and Wayne.

Governmental Structure

The Borough of Totowa is governed by a Mayor and Council consisting of a Mayor and six Council members, each of whom is elected by the voters. The Mayor's term is four years and the Council members terms three years with two Council positions being voted upon each year. Appointments and committee member selections are made at the Annual Reorganization Meeting, generally held on the first day of January each year. Appointments and committee selections are made as provided for by statutes and ordinances governing these matters.

Transportation

The Borough is located about 15 miles from the Lincoln Tunnel. Residents have access to all parts of New York and New Jersey via nearby highways Routes 3, 23, 46, the Garden State Parkway, Interstate 80 and New Jersey Turnpike. Transportation by bus, N.J. Transit, the Path and Conrail is also available.

Protection

Totowa is served by a police department consisting of 26 police officers including 3 detectives. The vehicle fleet is composed of 5 marked and 2 unmarked automobiles. Its four volunteer fire companies have 95 uniformed personnel. There are 8 pieces of equipment including 2 pumpers, 2 ladder trucks, 2 rescue trucks, 1 command post vehicle and 1 chiefs vehicle.

Sanitation

The Borough provides garbage collection for all homes on a semi-weekly basis. These services are contracted by public bid.

The Borough is a member of the Passaic Valley Sewerage Commission (PVSC) and is responsible for payment of the final cost of the maintenance, repair and operation, including debt service, of PVSC, based on the Borough's proportionate share of sewage delivered and discharged into the system.

Utilities

Electricity and gas are supplied by Public Service Electric & Gas Company. The Borough operates its own water distribution system. Water is purchased from the Passaic Valley Water Commission.

Industry

A large amount of diversified industry has been attracted to the Borough in recent years serving to assure Totowa's economic position. Totowa has several advantages to offer industry including good highways and a location near the ports of New York and Newark. In addition, it is serviced by the Conrail Railroad.

Recreation

The Borough has a year round community recreation program. It is administered by the Board of Recreation Commissioners appointed by the Mayor and Council.

Located in the Borough are well equipped Little League fields, five playgrounds and a soccer field in addition to a Swimming Pool owned by the Municipality.

In addition, a county park consisting of approximately 100 acres is located within the Borough.

The Commission sponsors and supervises a well rounded Senior Citizens program.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

For the years 2005 through 2009, the New Jersey Department of Labor reported the following annual average employment information for Borough of Totowa, the County of Passaic and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Totowa</u>				
2009	5,379	4,979	400	7.4%
2008	5,295	5,096	199	3.8%
2007	5,225	5,074	151	2.9%
2006	5,250	5,085	164	3.1%
2005	5,152	4,995	158	3.1%
<u>County of Passaic</u>				
2009	244,662	217,276	27,386	11.2%
2008	240,413	224,047	16,366	6.8%
2007	237,995	225,321	12,674	5.3%
2006	240,340	226,956	13,384	5.6%
2005	236,900	224,048	12,852	5.4%
<u>State of New Jersey</u>				
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3%
2006	4,477,500	4,269,600	207,900	4.6%
2005	4,416,100	4,218,500	197,600	4.5%

Source: State of New Jersey, Department of Labor

Population

Population trends for the Borough, County and the State of New Jersey since 1970 are shown below:

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2008</u>
Borough of Totowa	11,580	11,448	10,177	9,892	10,621
County of Passaic	460,782	447,585	453,060	489,049	490,948
State of New Jersey	7,171,112	7,365,011	7,730,188	8,414,350	8,682,661

Source: U.S. Census Bureau.

Income as of 1999¹

	Median Household <u>Income</u>	Median Family <u>Income</u>	Per Capita <u>Income</u>
Borough of Totowa	\$ 60,408	\$ 69,354	\$ 26,561
County of Passaic	49,210	56,054	21,370
State of New Jersey	55,146	65,370	27,006

¹

Source: State of New Jersey, Data Center, Money Income – New Jersey & Counties: 1999

FINANCIAL INFORMATION

Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2009 (Unaudited)	\$ 3,118,438	\$ 1,873,000
2008	3,962,899	1,826,000
2007	3,787,348	1,955,000
2006	3,994,572	1,700,000
2005	3,870,068	1,700,000

Source: Borough of Totowa Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2009 (Unaudited)	\$ 43,864,895	\$ 43,181,342	98.44%
2008	41,634,393	40,841,989	98.09%
2007	39,948,371	39,252,559	98.25%
2006	38,380,951	37,724,215	98.28%
2005	37,130,568	36,175,613	97.42%

Source: Borough of Totowa Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2009 (Unaudited)	\$ -	\$ 450,961	\$ 450,961	1.03%
2008	-	567,878	567,878	1.36%
2007	-	405,304	405,304	1.01%
2006	-	431,565	431,565	1.12%
2005	-	514,393	514,393	1.39%

Source: Borough of Totowa Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

**Assessed Valuation of Property Owned by
the Borough Acquired for Taxes**

<u>Year</u>	<u>Amount</u>
2009 (Unaudited)	\$ 72,900
2008	72,900
2007	72,900
2006	72,900
2005	72,900

Source: Borough of Totowa Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2009 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Totowa VF, LLC	\$ 75,752,200
Fidelity Syndications	69,059,600
Totowa Plaza Rt 46 LLC	39,992,000
Hoffman La Roche, Inc.	35,833,000
Rossmore Assoc/Vons Co.	29,577,000
930 N. Riverview Assoc LLC	25,198,700
Abill Realty	23,000,000
Norwell Land Company	23,000,000
Taft Associates	21,711,600
Vital Signs Inc. C/O T Reuters	17,874,200
	<u>\$360,998,300</u>

Source: Tax Assessor.

**Assessed Valuation
Land Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Value</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2009 ⁽¹⁾	\$ 36,899,000	\$ 1,544,805,000	\$ 1,009,900	\$ 739,736,900	\$ 377,270,900	\$ 2,699,721,700
2008	13,260,200	658,512,500	551,300	320,241,600	177,776,500	1,170,342,100
2007	12,383,700	656,438,500	551,300	312,189,700	190,153,000	1,171,716,200
2006	10,906,600	664,187,700	551,300	316,473,400	196,183,800	1,188,302,800
2005	12,624,100	634,068,400	551,300	321,028,500	206,968,800	1,175,241,100

Source: Tax Duplicate.

Assessed Valuations
Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2009 ⁽¹⁾	\$ 2,699,721,700	\$ 3,583,498	\$ 2,703,305,198	106.95%	\$ 2,543,287,777
2008	1,170,342,100	1,447,159	1,171,789,259	50.49%	2,335,321,092
2007	1,171,716,200	1,422,982	1,173,139,182	50.95%	2,316,477,454
2006	1,188,302,800	1,564,506	1,189,867,306	56.04%	2,136,960,602
2005	1,175,241,100	1,637,570	1,176,878,670	59.68%	1,984,493,359

Source: Tax Duplicate and Abstract of Ratables of Passaic County

⁽¹⁾ The Borough underwent a revaluation of real property which became effective January 1, 2009.

Components of Real Estate Tax Rate
(per \$100 of Assessment)

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2009 ⁽¹⁾	\$ 1.620	\$ 0.390	\$ 0.469	\$ 0.293	\$ 0.468
2008	3.539	0.859	1.045	0.638	0.997
2007	3.400	0.808	1.012	0.607	0.973
2006	3.210	0.729	0.978	0.578	0.925
2005	3.090	0.698	0.943	0.560	0.889

Source: Abstract of Ratables for Passaic County, State of New Jersey.

⁽¹⁾ The Borough underwent a revaluation of real property which became effective January 1, 2009.

DEBT INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity As of December 31, 2009 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 2,456,991,312
3 1/2% Borrowing Margin	85,994,696
Net Debt Issued, Outstanding and Authorized	2,456,750
Remaining Municipal Borrowing Capacity	83,537,946
Regional School	
3% Borrowing Margin	73,709,739
Debt Issued, Outstanding and Authorized	806,804
Remaining School Borrowing Capacity	72,902,935
Local School	
3% Borrowing Margin	73,709,739
Debt Issued, Outstanding and Authorized	7,675,434
Remaining School Borrowing Capacity	66,034,305

Source: Borough of Totowa 2009 (Unaudited) Annual Debt Statement.

Statement of Indebtedness
As of December 31, 2009 (Unaudited)

GENERAL PURPOSES

Bonds Issued and Outstanding	1,352,000	
Loans	133,667	
Bonds and Notes Authorized But Not Issued	<u>261,923</u>	
		\$ 1,747,590

WATER UTILITY

Bonds Issued and Outstanding	837,000	
Bonds and Notes Authorized But Not Issued	<u>919,577</u>	
		1,756,577

REGIONAL SCHOOL

Bonds Issued and Outstanding		806,804
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LOCAL SCHOOL

Bonds Issued and Outstanding		<u>7,675,434</u>
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TOTAL GROSS DEBT 11,986,405

STATUTORY DEDUCTIONS

Water Utility	1,047,417	
Regional School	806,804	
Local School	<u>7,675,434</u>	
		<u>9,529,655</u>

TOTAL NET DEBT \$ 2,456,750

OVERLAPPING DEBT

County of Passaic (1)	\$ 15,630,926
Passaic County Utilities Authority (2)	2,716,093
Passaic Valley Sewage Commission (2)	<u>2,873,622</u>

TOTAL OVERLAPPING DEBT \$ 21,220,641

GROSS DEBT

Per Capita (2008 Census - 10,621)	\$ 1,129
Percent of Net Valuation Taxable (2009 - \$2,703,305,198)	0.44%
Percent of Estimated True Value of Real Property (2009 - \$2,543,287,777)	0.47%

NET MUNICIPAL DEBT

Per Capita (2008 Census - 10,621)	\$ 231
Percent of Net Valuation Taxable (2009 - \$2,703,305,198)	0.09%
Percent of Estimated True Value of Real Property (2009 - \$2,543,287,777)	0.10%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2008 Census - 10,621)	\$ 3,127
Percent of Net Valuation Taxable (2009 - \$2,703,305,198)	1.23%
Percent of Estimated True Value of Real Property (2009 - \$2,543,287,777)	1.31%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2009 Passaic County Abstract of Ratables published by the Passaic County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.
Source: Borough of Totowa.

BOROUGH OF WOODLAND PARK

GENERAL, DEMOGRAPHIC, FINANCIAL, AND DEBT INFORMATION

GENERAL INFORMATION

General Information

The Borough of Woodland Park, about 3 square miles, was created in 1914 from the West Park section of Little Falls. On November 4, 2008, in accordance with the petition and referendum provisions set forth in N.J.S.A. 40:43-4 to -7, the voters of West Paterson voted to change the Borough's name to Woodland Park. All ordinances, contracts and liabilities adopted or incurred under the prior name are unaffected by the name change.

At the time it became a borough, Woodland Park was primarily a farming and dairy community. The Passaic River at that time was a clean, pleasant stream and became an attraction for amusement parks, recreation fields, hotels and a race track. A few wealthy silk industrialists from Paterson found the area attractive and located homes in the area. Idlewild Park, (now Singer Kearfoot) was one of the leading amusement parks and trolleys brought visitors up McBride Avenue for dancing, boating and picnicking.

The silent motion picture industry established itself in the Little Falls/Woodland Park area shortly after 1900. "The Great Train Robbery" was produced there in the "High Bridge" area.

Beginning in the 1950's larger shopping centers began to appear, i.e., West Caldor Shopping Center, Great Eastern Mills and Lenox Plaza.

Today's Woodland Park is vastly different. Shopping centers continue to be developed along the Route 46 commercial area; The Bank of New York Mellon maintains a substantial corporate office within the Borough overlooking Interstate Route 80.

The residential make-up has also changed. During the late 1990's and early 2000's a significant amount of condominiums and townhouses were developed. The communities of Wedgewood Knolls and Garret Park Associates, to name two, contributed to the significant ratable growth during that period. K. Hovnanian has built Rolling Views Condominiums, a substantial development in the old quarry section of town. In addition, K. Hovnanian has sold over half of its Four Seasons (a 55 and over community), which, when completed, will be over 800 units.

Individual residences are generally smaller in size, with buildings and grounds well maintained. The recent average resale value of a single family residence has been in the \$375,000-\$550,000 area.

Streets are well maintained and clean. Solid waste is collected weekly by a private concern under a contract with the Borough. Gas and electricity is provided by Public Service and Gas Company. For sewage disposal, please refer to "Wastewater Collection System".

Type of Government

The Borough of Woodland Park operates under the Faulkner Act with a Mayor-Council form of Government consisting of a Mayor and six Council Persons, each of whom is elected by the voters. The Mayor's term is for a three year period and the Council members for a three year period with three Council positions being voted upon each year in which the Mayor is not elected. Appointments and committee member selections are made at the Annual Reorganization Meeting, generally held within the first week of January each year. Appointments and committee selections are made as provided for by statutes and ordinances governing these matters.

The Mayor and Council meet the first and third Wednesday of each month with the first Wednesday designated as the Mayor and Council work session and the third Wednesday as the regular meetings. Additional special meetings are called dependent on such circumstances that may arise and make them necessary.

Type of Government (Continued)

All meetings are open to the public in compliance with New Jersey's Sunshine Law. At the work sessions the public's role is limited to that of an observer. At the regular meetings, citizens are given an opportunity to speak on matters of concern to them during a portion of the meeting for that purpose. On proposed ordinances the public also has an opportunity to be heard.

The executive power of the Borough is exercised by the Mayor. Administrative functions for implemented policies of the Borough are exercised by the administrator in conjunction with department heads. The primary committees follow specialized category lines with each committee consisting of a chairperson and two other Council members. These committees are: Police, Fire and Finance. Day to day functions are under the direction of the Municipal Administrator. Also present and available on a full time basis is the Tax Collector/Treasurer.

Borough Officials

Administrator/Municipal Clerk

Kevin V. Galland was appointed Administrator/Municipal Clerk on April 24, 2007.

Chief Financial Officer

Frederick Tomkins is the Borough's Chief Financial Officer. Mr. Tomkins was appointed for a four year term.

Municipal Services

Police Department

The Police Department, situated in the Municipal Center, has 26 personnel consisting of a Chief of Police, one Captain, three Lieutenants, five Sergeants, and sixteen Uniformed Officers.

Fire Department

The Fire Department, operated on a volunteer basis, consists of three companies and a Fire Prevention Bureau. The Fire Department's personnel consist of one Fire Chief, two Deputy Fire Chiefs, four Captains, four Lieutenants, and eighty firefighters. The Fire Prevention Bureau personnel includes four Fire Inspectors.

Ambulance Corps

The Ambulance Corps consists of twenty-three volunteers who operate two ambulances. All members are trained to use a defibrillator.

Department of Public Works

The twelve personnel, headed by a Superintendent and one Foreman, employed in the Department of Public Works (the "DPW") are responsible for maintaining Borough streets, buildings and grounds, including removal of snow, leaves and trash. The DPW also picks up paper and other recyclables from curbside.

Solid waste pick-up is a twice a week on Mondays and Thursdays. Solid waste pick-up is handled by a private company under a four year contract, with the current contract expiring on April 30, 2012. Please see "Wastewater Collection System" for a description of solid waste disposal and charges.

Wastewater Collection System

The Borough owns and operates the wastewater collection system to which all business and residential buildings must be connected. A sewer connection to the Passaic Valley Sewer Commissioners (the "PVSC") trunk interceptor line leading to the PVSC's sewage treatment plant in Newark is metered to ascertain the wastewater flow. The Borough pays an annual charge to the PVSC which is payable from the Borough's general fund.

Water System

The Borough operates its own water distribution system and water utility for part of the community. Water is purchased from the Passaic Valley Water Commission. The balance of the community is serviced by the Passaic Valley Water Commission and the New Jersey-American Water Company. The water utility billing by the Borough is based upon a standard minimum fee based upon the type of entity being served plus actual water consumption for the period. The Borough's rates are the lowest of the three entities which service the community.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

For the years 2005 through 2009, the New Jersey Department of Labor reported the following annual average employment information for Borough of Woodland Park, the County of Passaic and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Woodland Park</u>				
2009	6,715	6,181	534	8.0%
2008	6,592	6,326	265	4.0%
2007	6,501	6,300	201	3.1%
2006	6,532	6,313	219	3.4%
2005	6,432	6,211	221	3.4%
<u>County of Passaic</u>				
2009	244,662	217,276	27,386	11.2%
2008	240,413	224,047	16,366	6.8%
2007	237,995	225,321	12,674	5.3%
2006	240,340	226,956	13,384	5.6%
2005	236,900	224,048	12,852	5.4%
<u>State of New Jersey</u>				
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3%
2006	4,477,500	4,269,600	207,900	4.6%
2005	4,416,100	4,218,500	197,600	4.5%

Source: State of New Jersey, Department of Labor

Population

Population trends for the Borough, County and the State of New Jersey since 1970 are shown below:

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2008</u>
Borough of Woodland Park	11,692	11,293	10,982	10,987	11,908
County of Passaic	460,782	447,585	453,060	489,049	490,948
State of New Jersey	7,171,112	7,365,011	7,730,188	8,414,350	8,682,661

Source: U.S. Census Bureau.

Income as of 1999¹

	Median Household	Median Family	Per Capita
	<u>Income</u>	<u>Income</u>	<u>Income</u>
Borough of Woodland Park	\$ 60,273	\$ 67,292	\$ 29,758
County of Passaic	49,210	56,054	21,370
State of New Jersey	55,146	65,370	27,006

FINANCIAL INFORMATION

¹

Source: State of New Jersey, Data Center, Money Income – New Jersey & Counties: 1999

Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2009 (Unaudited)	\$ 1,877,816	\$ 1,325,000
2008	1,480,366	1,150,000
2007	2,632,155	1,550,000
2006	1,316,396	960,000
2005	869,982	636,000

Source: Borough of Woodland Park Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2009 (Unaudited)	\$ 38,530,498	\$ 37,881,598	98.32%
2008	36,217,951	35,512,934	98.05%
2007	34,577,757	33,926,548	98.12%
2006	30,990,729	30,273,539	97.69%
2005	28,613,721	28,238,887	98.69%

Source: Borough of Woodland Park Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2009 (Unaudited)	\$ -	\$ 494,694	\$ 494,694	1.28%
2008	10,495	485,602	496,097	1.37%
2007	10,495	490,160	500,655	1.45%
2006	10,495	601,941	612,436	1.98%
2005	10,495	371,492	381,987	1.33%

Source: Borough of Woodland Park Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

Assessed Valuation of Property Owned by

the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2009 (Unaudited)	\$ 4,072,000
2008	4,072,000
2007	288,000
2006	288,000
2005	288,000

Source: Borough of Woodland Park Annual Audit Reports and 2009 (Unaudited) Annual Financial Statement.

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2009 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Rose Manor Estates	\$ 33,028,100
Bank of New York Mellon	17,350,000
Levco Route 46 Assoc.	15,286,300
G.O.P. 1, LLC	10,618,300
The Leeward Corporation	8,773,700
DDRM West Falls Plaza, LLC	7,529,000
G.O.P. 3, LLC c/o Mtn Development	7,000,000
G.O.P. 5, LLC c/o Mtn Development	7,000,000
Kearfott Guidance & Navigation Corp.	5,750,000
K. Hovnanian at Great Notch	5,060,000
	<u>\$ 117,395,400</u>

Source: Tax Assessor.

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Value</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
2009	\$ 25,682,613	\$ 615,591,324	\$ 1,680	\$ 142,974,460	\$ 34,127,000	\$ 33,674,000	\$ 852,051,077
2008	30,631,513	584,381,724	1,680	143,528,760	34,127,000	34,306,600	826,977,277
2007	34,193,613	554,965,324	1,680	150,161,360	37,277,000	35,076,600	811,675,577
2006	27,975,198	554,397,824	1,680	149,919,960	37,277,000	35,320,500	804,892,162
2005	18,200,798	551,968,824	1,680	152,609,260	36,392,800	37,815,200	796,988,562

Source: Tax Duplicate.

Assessed Valuations

Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2009	\$ 852,051,077	\$ 610,243	\$ 852,661,320	43.80%	\$ 1,957,117,774
2008	826,977,277	573,562	827,550,839	45.63%	1,823,814,822
2007	811,675,577	557,128	812,232,705	48.44%	1,686,656,362
2006	804,892,162	601,270	805,493,432	54.05%	1,499,651,201
2005	796,988,562	745,708	797,734,270	61.38%	1,308,720,416

Source: Tax Duplicate and Abstract of Ratables of Passaic County

Components of Real Estate Tax Rate (per \$100 of Assessment)

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2009	\$ 4.475	\$ 1.159	\$ 1.494	\$ 0.668	\$ 1.154
2008	4.257	1.056	1.472	0.622	1.107
2007	4.120	1.009	1.429	0.653	1.029
2006	3.840	0.926	1.322	0.617	0.975
2005	3.580	0.881	1.285	0.552	0.862

Source: Abstract of Ratables for Passaic County, State of New Jersey

DEBT INFORMATION

Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

Debt Incurring Capacity As of December 31, 2009 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 1,817,223,312
3 1/2% Borrowing Margin	63,602,816
Net Debt Issued, Outstanding and Authorized	14,470,504
Remaining Municipal Borrowing Capacity	49,132,312
Regional School	
3% Borrowing Margin	54,516,699
Debt Issued, Outstanding and Authorized	596,946
Remaining School Borrowing Capacity	53,919,753
Local School	
3% Borrowing Margin	54,516,699
Debt Issued, Outstanding and Authorized	10,221,315
Remaining School Borrowing Capacity	44,295,384

Source: Borough of Woodland Park 2009 (Unaudited) Annual Debt Statement.

Statement of Indebtedness
As of December 31, 2009 (Unaudited)

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 13,962,000	
Bond Anticipation Notes	1,150,000	
Loans	1,442,090	
Bonds and Notes Authorized But Not Issued	<u>54,579</u>	
		\$ 16,608,669

WATER UTILITY

Bonds Issued and Outstanding	1,880,969	
Bonds and Notes Authorized But Not Issued	<u>231,526</u>	
		2,112,495

REGIONAL SCHOOL

Bonds Issued and Outstanding		596,946
------------------------------	--	---------

LOCAL SCHOOL

Bonds Issued and Outstanding		<u>10,221,315</u>
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TOTAL GROSS DEBT 29,539,425

STATUTORY DEDUCTIONS

Water Utility	2,112,495	
Regional School	596,946	
Local School	10,221,315	
Funds in Hand / Refunding Bonds	<u>2,138,165</u>	
		<u>15,068,921</u>

TOTAL NET DEBT \$ 14,470,504

OVERLAPPING DEBT

County of Passaic (1)	\$ 12,028,353
Passaic County Utilities Authority (2)	<u>2,090,095</u>

TOTAL OVERLAPPING DEBT \$ 14,118,448

GROSS DEBT

Per Capita (2008 Census - 11,908)	\$ 2,481
Percent of Net Valuation Taxable (2009 - \$852,661,320)	3.46%
Percent of Estimated True Value of Real Property (2009 - \$1,957,117,774)	1.51%

NET MUNICIPAL DEBT

Per Capita (2008 Census - 11,908)	\$ 1,215
Percent of Net Valuation Taxable (2009 - \$852,661,320)	1.70%
Percent of Estimated True Value of Real Property (2009 - \$1,957,117,774)	0.74%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2008 Census - 11,908)	\$ 3,666
Percent of Net Valuation Taxable (2009 - \$852,661,320)	5.12%
Percent of Estimated True Value of Real Property (2009 - \$1,957,117,774)	2.23%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2009 Passaic County Abstract of Ratables published by the Passaic County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.
Source: Borough of Woodland Park.

APPENDIX B

**Financial Statements of The Board of Education of the
Passaic Valley Regional High School District #1 in the County of Passaic, New Jersey**

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Trustees
Passaic Valley Regional High School District No. 1 Board of Education
Little Falls, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Passaic Valley Regional High School District No. 1 Board of Education as of and for the fiscal year ended June 30, 2009, which collectively comprise the Board of Education's basic financial statements. These financial statements are the responsibility of the 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 the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Passaic Valley Regional High School District No. 1 Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Passaic Valley Regional High School District No. 1 Board of Education as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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 November 10, 2009 on our consideration of the Passaic Valley Regional High School District No. 1 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 and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the 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.

By/s/

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Fair Lawn, New Jersey
November 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Passaic Valley Regional High School District No. 1 Board of Education Little Falls, New Jersey

Management's Discussion and Analysis Year Ended June 30, 2009

This section of the Passaic Valley Regional High School District No. 1 Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2008-09) and the prior year (2007-08) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-2009 fiscal year are as follows:

- The assets of the Passaic Valley Regional High School District No. 1 Board of Education exceeded its liabilities at the close of the fiscal year by \$2,523,718 (net assets).
- The District's total net assets increased \$318,383.
- Overall district-wide revenues were \$23,268,123. General revenues accounted for \$19,392,797 or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,875,326 or 17% of total revenues.
- The school district had \$22,139,655 in expenses for governmental activities; only \$3,052,081 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$19,392,797 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$494,565. Of this amount, \$268,388 is available for spending at the District's discretion (unreserved/undesignated fund balance – General Fund).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Passaic Valley Regional High School District No. 1 Board of Education.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Passaic Valley Regional High School District No. 1 Board of Education's overall financial status.

Passaic Valley Regional High School District No. 1 Board of Education Little Falls, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The remaining statements are fund financial statements that focus on individual parts of the Passaic Valley Regional High School District No. 1 Board of Education's, reporting the Board's operation in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 summarizes the major features of the Board's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

	Statements	District-Wide Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, administration and community education	Activities the district operates similar to private businesses:
Required financial Statements			Food Service
	Statements of net assets	balance sheet	Statement of net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses, and changes in fund net assets
			Statement of cash flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

Passaic Valley Regional High School District No. 1 Board of Education Little Falls, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2009

District-Wide Statements

The district-wide statements report information about the Passaic Valley Regional High School District No. 1 Board of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and community education. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds – focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The district uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

Passaic Valley Regional High School District No. 1 Board of Education Little Falls, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2009

The district has three kinds of funds:

- *Governmental funds*- Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*- Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- *Fiduciary funds*- The District is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION AS A WHOLE

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 A-1 provides a summary of the school district's net assets for 2009 and 2008.

Net assets. The district's combined net assets were \$2,523,718 and \$2,205,335 on June 30, 2009 and 2008, respectively. (See Table A-1).

Passaic Valley Regional High School District No. 1 Board of Education
Little Falls, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2009

Table A-1
Statement of Net Assets
As of June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$ 2,524,740	\$ 1,294,238	\$ 56,610	\$ 47,253	\$ 2,581,350	\$ 1,341,491
Capital Assets	<u>4,219,707</u>	<u>3,635,644</u>	<u>34,843</u>	<u>41,609</u>	<u>4,254,550</u>	<u>3,677,253</u>
Total Assets	<u>6,744,447</u>	<u>4,929,882</u>	<u>91,453</u>	<u>88,862</u>	<u>6,835,900</u>	<u>5,018,744</u>
Long-Term Liabilities	2,265,577	2,626,125			2,265,577	2,626,125
Other Liabilities	<u>2,045,810</u>	<u>175,920</u>	<u>795</u>	<u>11,364</u>	<u>2,046,605</u>	<u>187,284</u>
Total Liabilities	<u>4,311,387</u>	<u>2,802,045</u>	<u>795</u>	<u>11,364</u>	<u>4,312,182</u>	<u>2,813,409</u>
Net Assets						
Invested in capital assets, net of related debt	1,497,868	1,272,215	34,843	41,609	1,532,711	1,313,824
Restricted	5,900	96			5,900	96
Unrestricted	<u>929,292</u>	<u>855,526</u>	<u>55,815</u>	<u>35,889</u>	<u>985,107</u>	<u>891,415</u>
Total Net Assets	<u>\$ 2,433,060</u>	<u>\$ 2,127,837</u>	<u>\$ 90,658</u>	<u>\$ 77,498</u>	<u>\$ 2,523,718</u>	<u>\$ 2,205,335</u>

Table A-2 on the following page shows changes in net assets for fiscal year 2009 and 2008.

Passaic Valley Regional High School District No. 1 Board of Education

Little Falls, New Jersey

Management's Discussion and Analysis (continued)

Year Ended June 30, 2009

Table A-2
Change in Net Assets
For The Years Ended June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program Revenues						
Charges for Services	\$ 196,021	\$ 214,293	\$ 771,720	\$ 728,025	\$ 967,741	\$ 942,318
Operating Grants and Contributions	2,856,060	3,404,692	51,525	44,246	2,907,585	3,448,938
Capital Grants and Contributions		6,406				6,406
General Revenues						
Property Taxes	19,175,561	18,589,637			19,175,561	18,589,637
State Aid - Formula Grants	138,511	372,786			138,511	372,786
Other	<u>78,725</u>	<u>125,672</u>	<u>-</u>	<u>-</u>	<u>78,725</u>	<u>125,672</u>
Total Revenues	<u>22,444,878</u>	<u>22,713,486</u>	<u>823,245</u>	<u>772,271</u>	<u>23,268,123</u>	<u>23,485,757</u>
Expenses						
Instruction						
Regular	9,736,339	9,921,875			9,736,339	9,921,875
Special Education	2,450,362	2,554,008			2,450,362	2,554,008
Other Instruction	2,628	28,998			2,628	28,998
School Sponsored Activities and Athletics	1,213,689	1,137,084			1,213,689	1,137,084
Support Services						
Student and Instruction Related Services	1,845,589	1,902,755			1,845,589	1,902,755
General Administrative Services	657,058	637,769			657,058	637,769
School Administrative Services	777,414	754,880			777,414	754,880
Plant Operations and Maintenance	2,748,575	2,640,920			2,748,575	2,640,920
Pupil Transportation	1,590,106	1,581,681			1,590,106	1,581,681
Business and Other Support Services	1,027,202	987,552			1,027,202	987,552
Interest on Debt	90,693	99,575			90,693	99,575
Food Services	<u>-</u>	<u>-</u>	<u>810,085</u>	<u>775,627</u>	<u>810,085</u>	<u>775,627</u>
Total Expenses	<u>22,139,655</u>	<u>22,247,097</u>	<u>810,085</u>	<u>775,627</u>	<u>22,949,740</u>	<u>23,022,724</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 305,223</u>	<u>\$ 466,389</u>	<u>\$ 13,160</u>	<u>\$ (3,356)</u>	<u>\$ 318,383</u>	<u>\$ 463,033</u>

Passaic Valley Regional High School District No. 1 Board of Education Little Falls, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2009

Governmental Activities. The District's total revenues were \$22,444,878. The local share of the revenues, that included property taxes, transportation, interest, and miscellaneous revenue, amounted to \$19,450,307 or 87% of total revenues. Funding from state and federal sources amounted to \$2,994,571 or 13%.

The District's expenses are predominantly related to instruction and support services. Instruction totaled \$13,403,018 (61%) and student support services totaled \$8,645,944 (38%) of total expenditures interest on debt totaled \$90,693. (See Figure A-3.)

Figure A-3 Revenues by Sources – Governmental Activities
For Fiscal Year 2009

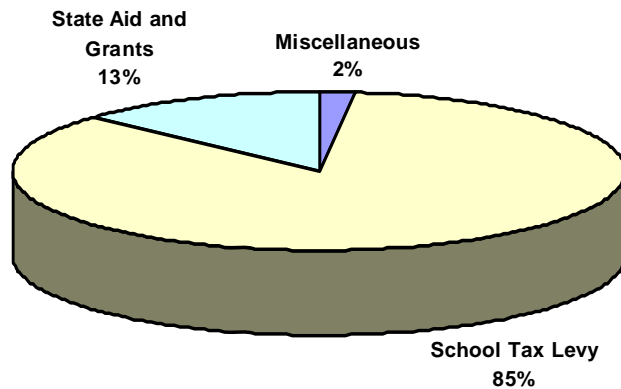
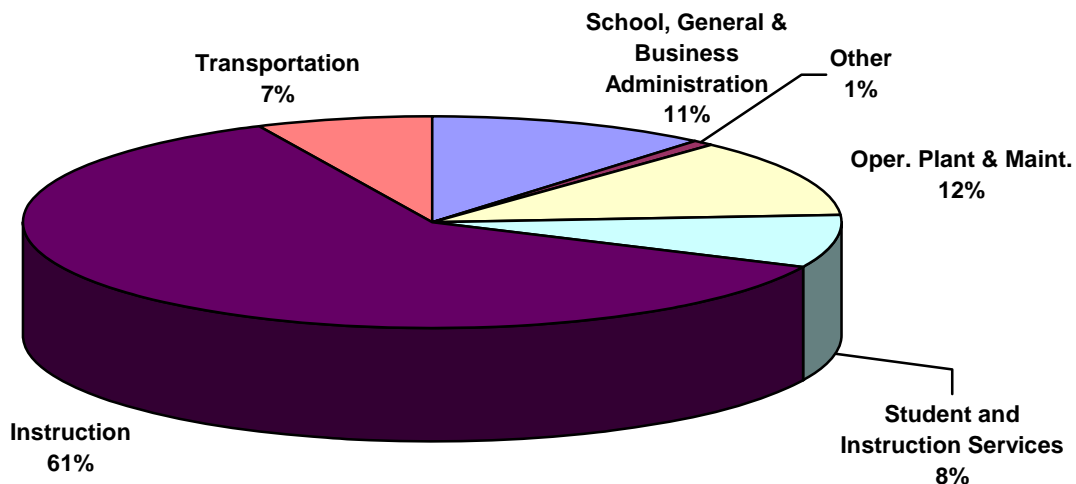


Table A-4 Expenses by Function – Governmental Activities
For Fiscal Year 2009



**Passaic Valley Regional High School District No. 1 Board of Education
Little Falls, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2009**

**Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2009 and 2008**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Instruction				
Regular	\$ 9,736,339	\$ 9,921,875	\$ 8,725,008	\$ 8,458,886
Special Education	2,450,362	2,554,008	1,329,233	1,466,168
Other Instruction	2,628	28,998	1,978	13,044
School Sponsored Activities and Athletics	1,213,689	1,137,084	1,213,689	1,137,084
Support Services				
Student and Instruction Related Services	1,845,589	1,902,755	1,691,606	1,653,607
General Administrative Services	657,058	637,769	631,289	598,730
School Administrative Services	777,414	754,880	731,011	681,556
Plant Operations and Maintenance	2,748,575	2,640,920	2,647,130	2,634,514
Pupil Transportation	1,590,106	1,581,681	1,028,825	938,471
Business Services	1,027,202	987,552	997,112	940,071
Interest on Debt	<u>90,693</u>	<u>99,575</u>	<u>90,693</u>	<u>99,575</u>
Total	<u>\$ 22,139,655</u>	<u>\$ 22,247,097</u>	<u>\$ 19,087,574</u>	<u>\$ 18,621,706</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal years ended June 30, 2009 and 2008 were \$810,085 and \$775,627, respectively. These costs were funded by operating grants and charges for services (Detailed on Table A-2).

Passaic Valley Regional High School District No. 1 Board of Education
Little Falls, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$494,565. In 2007/2008, the fund balance was \$1,135,688.

Revenues for the District's governmental funds were \$22,444,878 while total expenditures were \$23,086,001.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students for grades 9 through 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues for the fiscal years ended June 30, 2009 and 2008.

General Fund Revenues

	<u>Year Ended</u>		<u>Amount of</u>	<u>Percent</u>
	<u>2009</u>	<u>2008</u>	<u>Increase</u>	<u>Increase</u>
			<u>(Decrease)</u>	<u>(Decrease)</u>
Local Sources				
Property Taxes	\$ 18,854,854	\$ 18,265,821	\$ 589,033	3%
Transportation	196,021	214,293	(18,272)	-9%
Miscellaneous	73,013	125,586	(52,573)	-42%
Intergovernmental				
State Sources	<u>2,611,164</u>	<u>3,449,443</u>	<u>(838,279)</u>	-24%
Total General Fund Revenues	<u>\$ 21,735,052</u>	<u>\$ 22,055,143</u>	<u>\$ (320,091)</u>	-1%

Passaic Valley Regional High School District No. 1 Board of Education Little Falls, New Jersey

Management's Discussion and Analysis (continued) Year Ended June 30, 2009

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2009 and 2008.

General Fund Expenditures

	Year Ended		Amount of	Percent
	<u>2009</u>	<u>2008</u>	Increase (Decrease)	Increase (Decrease)
Current Expense:				
Instruction	\$ 13,053,469	\$ 13,137,929	\$ (84,460)	-1%
Undistributed Expenses	8,457,502	8,292,689	164,813	2%
Capital Outlay	166,424	44,944	121,480	377%
Operating Lease Payments	<u>117,987</u>	<u>128,589</u>	<u>(10,602)</u>	-8%
 Total Expenditures	 <u>\$ 21,795,382</u>	 <u>\$ 21,604,151</u>	 <u>\$ 191,231</u>	 1%

Total General Fund expenditures increased by \$191,231 or 1% from the previous year. The most significant increase can be attributable to the increases in the areas of Business and Other Support Services.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal and State sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$383,407 and \$328,035, for the years ended June 30, 2009 and 2008. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 100% and 100% of the total revenue for the years June 30, 2009 and 2008.

Total Special Revenue Fund revenues increased \$55,372 or 17% from the previous year due to an increase of federal sources.

Expenditures of the Special Revenue Fund were \$383,407 and \$328,035 for the years ended June 30, 2009 and 2008. Instructional expenditures were \$383,407.

Capital Projects - The capital projects expenditures and other financing uses exceeded revenues by \$586,597 resulting in a fund balance of \$(590,900) at June 30, 2009.

Proprietary Funds

The District maintains an Enterprise Fund to account for activities which are supported in part through user fees.

Enterprise Fund - The District uses an Enterprise Fund to report activities related to the Food Services programs. The District's Enterprise Fund provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities.

Passaic Valley Regional High School District No. 1 Board of Education
Little Falls, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2009

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are the result of the implementation of budgets for specially funded projects, which include both federal and state grants and the reinstating prior year purchase orders being carried over.

Capital Assets. At the end of the fiscal year 2009, the school district had invested in land, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

Table A-4

	<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>	Increase (Decrease)
Buildings and Building Improvements	\$ 8,097,451	\$ 8,097,451	
Improvements other than Buildings	1,536,534	1,536,534	
Machinery and Equipment	631,646	465,222	\$ 166,424
Construction in Progress	586,597	-	586,597
	<u>10,852,228</u>	<u>10,099,207</u>	<u>753,021</u>
Less Accumulated Depreciation	<u>6,632,521</u>	<u>6,463,563</u>	<u>168,958</u>
Total	<u>\$ 4,219,707</u>	<u>\$ 3,635,644</u>	<u>\$ 584,063</u>

Debt Administration. As of June 30, 2009 and 2008 the school district had long-term debt and outstanding long-term liabilities in the amounts of \$2,265,577 and \$2,626,125, respectively.

**Passaic Valley Regional High School District No. 1 Board of Education
Little Falls, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2009**

Long-Term Liabilities

**Table A-5
Long-Term Debt
Outstanding Long-Term Liabilities**

	<u>2009</u>	<u>2008</u>
Serial Bonds	\$ 2,030,000	\$ 2,240,000
Intergovernmental Loans Payable	100,939	119,126
Compensated Absences Payable	<u>134,638</u>	<u>266,999</u>
 Total	 <u>\$ 2,265,577</u>	 <u>\$ 2,626,125</u>

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget in order to prevent over-expenditures in specific line item accounts. These budget revisions were related to:

- ✓ Increases in the cost relating to the operation and maintenance of the plant.
- ✓ Increased costs in providing student transportation.
- ✓ Costs related to the instructional programs of the District.
- ✓ Shortfall in revenue caused by the state not remitting the final state aid payment to the district in June 2009.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Gerber, Passaic Valley Regional High School District No. 1 Board of Education, East Main Street, Little Falls, New Jersey 07424.

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BASIC FINANCIAL STATEMENTS

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,497,694	\$ 28,442	\$ 1,526,136
Receivables, net			
Receivables from Other Governments	994,828	3,726	998,554
Accounts Receivable	32,218	18,733	50,951
Inventory		5,709	5,709
Capital Assets			
Not Being Depreciated	586,597		586,597
Being Depreciated Net	<u>3,633,110</u>	<u>34,843</u>	<u>3,667,953</u>
Total Assets	<u>6,744,447</u>	<u>91,453</u>	<u>6,835,900</u>
LIABILITIES			
Accounts Payable	63,362	676	64,038
Payable to Federal Government	44,588		44,588
Accrued Interest Payable	15,635		15,635
Unearned Revenue	47,225	119	47,344
Temporary Notes Payable	1,875,000		1,875,000
Noncurrent Liabilities			
Due within one year	233,796		233,796
Due beyond one year	<u>2,031,781</u>	<u>-</u>	<u>2,031,781</u>
Total Liabilities	<u>4,311,387</u>	<u>795</u>	<u>4,312,182</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	1,497,868	34,843	1,532,711
Restricted for:			
Capital Projects	1		1
Debt Service	5,899		5,899
Unrestricted	<u>929,292</u>	<u>55,815</u>	<u>985,107</u>
Total Net Assets	<u>\$ 2,433,060</u>	<u>\$ 90,658</u>	<u>\$ 2,523,718</u>

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

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:							
Instruction:							
Regular	\$ 9,736,339		\$ 1,011,331		\$ (8,725,008)		\$ (8,725,008)
Special Education	2,450,362		1,121,129		(1,329,233)		(1,329,233)
Other Instruction	2,628		650		(1,978)		(1,978)
School Sponsored Co-Curricular Activities	1,213,689				(1,213,689)		(1,213,689)
Support Services:							
Student & Instruction Related Services	1,845,589		153,983		(1,691,606)		(1,691,606)
School Administrative Services	777,414		46,403		(731,011)		(731,011)
General Administrative Services	657,058		25,769		(631,289)		(631,289)
Plant Operations and Maintenance	2,748,575		101,445		(2,647,130)		(2,647,130)
Pupil Transportation	1,590,106	\$ 196,021	365,260		(1,028,825)		(1,028,825)
Business and Other Support Services	1,027,202		30,090		(997,112)		(997,112)
Interest on long-term debt	90,693	-	-	-	(90,693)	-	(90,693)
 Total Governmental Activities	<u>22,139,655</u>	<u>196,021</u>	<u>2,856,060</u>	<u>-</u>	<u>(19,087,574)</u>	<u>-</u>	<u>(19,087,574)</u>
 Business-Type Activities:							
Food Service	810,085	771,720	51,525	-	-	\$ 13,160	13,160
Total Business-Type Activities	<u>810,085</u>	<u>771,720</u>	<u>51,525</u>	<u>-</u>	<u>-</u>	<u>13,160</u>	<u>13,160</u>
Total Primary Government	<u>22,949,740</u>	<u>967,741</u>	<u>\$ 2,907,585</u>	<u>\$ -</u>	<u>(19,087,574)</u>	<u>13,160</u>	<u>(19,074,414)</u>

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

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Net (Expense) Revenue and Changes in Net Assets		
		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues:				
Taxes:				
Property Taxes, levied for general purposes, net		\$ 18,854,854		\$ 18,854,854
Taxes Levied for Debt Service		320,707		320,707
Federal and State Aid - Unrestricted		138,511		138,511
Miscellaneous Income		<u>78,725</u>	<u>-</u>	<u>78,725</u>
Total General Revenues		<u>19,392,797</u>	<u>-</u>	<u>19,392,797</u>
Change in Net Assets		305,223	\$ 13,160	318,383
Net Assets—beginning of year		<u>2,127,837</u>	<u>77,498</u>	<u>2,205,335</u>
Net Assets—end of year		<u>\$ 2,433,060</u>	<u>\$ 90,658</u>	<u>\$ 2,523,718</u>

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

FUND FINANCIAL STATEMENTS

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2009**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 169,324		\$ 1,328,277	\$ 92	\$ 1,497,693
Receivables From Other Governments	103,862	\$ 107,128	783,838		994,828
Due from Other Funds	835,747			5,807	841,554
Restricted Cash and Cash Equivalents:					
Capital Reserve	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total assets	<u>\$ 1,108,934</u>	<u>\$ 107,128</u>	<u>\$ 2,112,115</u>	<u>\$ 5,899</u>	<u>\$ 3,334,076</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 29,368		\$ 33,994		\$ 63,362
Due to Other Funds		\$ 42,925	766,411		809,336
Payable to Federal Government		44,588			44,588
Temporary Notes Payable			1,875,000		1,875,000
Deferred Revenue	<u>-</u>	<u>19,615</u>	<u>27,610</u>	<u>-</u>	<u>47,225</u>
Total Liabilities	<u>29,368</u>	<u>107,128</u>	<u>2,703,015</u>	<u>-</u>	<u>2,839,511</u>
Fund Balances:					
Reserved for:					
Encumbrances	23,138		1,821,709		1,844,847
Capital Reserve	1				1
Excess Surplus	447,758				447,758
Excess Surplus, Designated for Subsequent Year's Expenditures	198,662				198,662
Unreserved, Designated for Subsequent Year's Expenditures	141,619				141,619
Undesignated, Reported in:					
General Fund	268,388				268,388
Capital projects Fund			(2,412,609)		(2,412,609)
Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 5,899</u>	<u>5,899</u>
Total Fund balances	<u>1,079,566</u>	<u>-</u>	<u>(590,900)</u>	<u>5,899</u>	<u>494,565</u>
Total Liabilities and Fund Balances	<u>\$ 1,108,934</u>	<u>\$ 107,128</u>	<u>\$ 2,112,115</u>	<u>\$ 5,899</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 \$10,852,228 and the accumulated depreciation is \$6,632,521.

4,219,707

The District has financed capital assets through the issuance of long-term debt. The interest accrual at year end is:

(15,635)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Bonds Payable	\$ 2,030,000
Loans Payable	100,939
Compensated Absences	<u>134,638</u>

(2,265,577)

Net assets of governmental activities (Exhibit A-1)

\$ 2,433,060

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Property Tax Levy	\$ 18,854,854			\$ 320,707	\$ 19,175,561
Transportation	196,021				196,021
Miscellaneous	<u>73,013</u>	<u>-</u>	<u>\$ 5,712</u>	<u>-</u>	<u>78,725</u>
Total - Local Sources	<u>19,123,888</u>	<u>-</u>	<u>5,712</u>	<u>320,707</u>	<u>19,450,307</u>
State Sources	2,611,164				2,611,164
Federal Sources	<u>-</u>	<u>\$ 383,407</u>	<u>-</u>	<u>-</u>	<u>383,407</u>
Total Revenues	<u>21,735,052</u>	<u>383,407</u>	<u>5,712</u>	<u>320,707</u>	<u>22,444,878</u>
EXPENDITURES					
Instruction:					
Regular	9,655,654	132,629			9,788,283
Special Education	2,216,601	250,778			2,467,379
Other	687				687
School Sponsored Co-Curricular Activities	1,213,689				1,213,689
Support Services and Undistributed Costs					
Student & Instruction Related Services	1,827,019				1,827,019
School Administrative Services	777,414				777,414
General Administrative Services	657,058				657,058
Plant Operations and Maintenance	2,629,121				2,629,121
Pupil Transportation	1,590,106				1,590,106
Business & Other Support Services	943,622				943,622
Operating Lease Payments	117,987				117,987
Capital Outlay	166,424		586,597		753,021
Debt service:					
Principal				228,187	228,187
Interest and other charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,428</u>	<u>92,428</u>
Total Expenditures	<u>21,795,382</u>	<u>383,407</u>	<u>586,597</u>	<u>320,615</u>	<u>23,086,001</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(60,330)</u>	<u>-</u>	<u>(580,885)</u>	<u>92</u>	<u>(641,123)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In				5,712	5,712
Transfers Out	<u>-</u>	<u>-</u>	<u>(5,712)</u>	<u>-</u>	<u>(5,712)</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(5,712)</u>	<u>5,712</u>	<u>-</u>
Net Change in Fund Balances	(60,330)	-	(586,597)	5,804	(641,123)
Fund Balance, Beginning of Year	<u>1,139,896</u>	<u>-</u>	<u>(4,303)</u>	<u>95</u>	<u>1,135,688</u>
Fund Balance, End of Year	<u>\$ 1,079,566</u>	<u>\$ -</u>	<u>\$ (590,900)</u>	<u>\$ 5,899</u>	<u>\$ 494,565</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Total net change in fund balances - governmental funds (from B-2) \$ (641,123)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (168,958)	
Capital outlays	<u>753,021</u>	584,063

Repayment of debt 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.

Bond Principal	210,000	
Intergovernmental Loan Principal	<u>18,187</u>	228,187

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+) 1,735

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

Compensated Absences		<u>132,361</u>
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Change in net assets of governmental activities		<u><u>\$ 305,223</u></u>
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**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2009**

	Business-Type Activities Enterprise Fund <u>Food Services</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 28,442
Intergovernmental Receivable	
State	197
Federal	3,529
Accounts Receivable	18,733
Inventories	<u>5,709</u>
Total Current Assets	<u>56,610</u>
Capital Assets	
Furniture, Machinery and Equipment	125,060
Less: Accumulated Depreciation	<u>(90,217)</u>
Total Capital Assets	<u>34,843</u>
Total Assets	<u>91,453</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	676
Deferred Revenue	<u>119</u>
Total Current Liabilities	<u>795</u>
NET ASSETS	
Invested in Capital Assets - Net of Related Debt	34,843
Unrestricted	<u>55,815</u>
Total Net Assets	<u><u>\$ 90,658</u></u>

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

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Fund <u>Food Services</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales-Reimbursable Programs	\$ 590,290
Daily Sales - Nonreimbursable Programs	<u>181,430</u>
Total Operating Revenues	<u>771,720</u>
OPERATING EXPENSES	
Labor Cost	285,207
Management Fee	50,561
Supplies and Materials	37,940
Other Expense	8,785
Cost of Food	420,826
Depreciation	<u>6,766</u>
Total Operating Expenses	<u>810,085</u>
Operating Loss	<u>(38,365)</u>
NONOPERATING REVENUES	
State Sources	
State School Lunch Program	2,308
Federal Sources	
Food Distribution Program	9,361
National School Lunch Program	<u>39,856</u>
Total Nonoperating Revenues	<u>51,525</u>
Change in Net Assets	13,160
Total Net Assets - Beginning of Year	<u>77,498</u>
Total Net Assets - End of Year	<u><u>\$ 90,658</u></u>

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

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-Type Activities Enterprise Fund <u>Food Services</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 770,352
Cash Payments for Employees' Salaries and Benefits	(285,207)
Cash Payments to Suppliers for Goods and Services	<u>(520,936)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(35,791)</u>
Cash Flows to / from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>41,149</u>
Net Cash Provided by Noncapital Financing Activities	<u>41,149</u>
Net Increase in Cash and Cash Equivalents	5,358
Cash and Cash Equivalents, Beginning of Year	<u>23,084</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 28,442</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	<u>\$ (38,365)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Non-Cash Federal Assistance - Food Distribution Program	9,361
Depreciation	6,766
Change in Assets and Liabilities	
(Increase)/Decrease in Accounts Receivable	(1,368)
(Increase)/Decrease in Inventory	(1,616)
Increase/(Decrease) in Accounts Payable	(9,225)
Increase/(Decrease) in Deferred Revenue	<u>(1,344)</u>
Total Adjustments	<u>2,574</u>
Net Cash Used for Operating Activities	<u><u>\$ (35,791)</u></u>

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

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2009**

	Unemployment Compensation <u>Trust Fund</u>	Private Purpose Trust Fund	<u>Agency Fund</u>
ASSETS			
Cash and cash equivalents	\$ 142,219	\$ 149,898	\$ 327,447
Total Assets	<u>142,219</u>	<u>149,898</u>	<u>\$ 327,447</u>
LIABILITIES			
Due to Student Groups			\$ 188,639
Intergovernmental Payable	142		
Accrued Salaries & Deductions			106,590
Due to Other Funds	<u>-</u>	<u>-</u>	<u>32,218</u>
Total Liabilities	<u>142</u>	<u>-</u>	<u>\$ 327,447</u>
NET ASSETS			
Held In Trust For Unemployment Claims and Other Purposes			
Restricted	<u>-</u>	<u>149,898</u>	
Total Net Assets	<u>\$ 142,077</u>	<u>\$ 149,898</u>	

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Unemployment Compensation <u>Trust Fund</u>	Private Purpose <u>Trust Fund</u>
ADDITIONS		
Contributions		
Other	\$ 26,940	\$ 48,876
Total Contributions	<u>26,940</u>	<u>48,876</u>
Investment Earnings		
Interest	<u>912</u>	<u>3,572</u>
Net investment earnings	<u>912</u>	<u>3,572</u>
Total additions	<u>27,852</u>	<u>52,448</u>
DEDUCTIONS		
Other Expenses	11,807	
Scholarships awarded	<u>-</u>	<u>16,318</u>
Total deductions	<u>11,807</u>	<u>16,318</u>
Change in net assets	16,045	36,130
Net assets, beginning of the year	<u>126,032</u>	<u>113,768</u>
Net assets, end of the year	<u><u>\$ 142,077</u></u>	<u><u>\$ 149,898</u></u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Passaic Valley Regional High School District No. 1 Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Passaic Valley Regional High School District No. 1 Board of Education this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental and enterprise funds to be major funds.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 fiduciary fund financial statements with the exception of the Agency Fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when 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 Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects and the school breakfast, milk and lunch programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities and other capital assets.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow FASB guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as “internal balances”.

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Tuition Expenditures - Tuition charges for the fiscal years 2007-2008 and 2008-2009 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. *Inventories*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. *Capital Assets(Continued)*

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Heavy Equipment	10
Office Equipment and Furniture	10
Computer Equipment	5

5. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

6. *Long-term obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. *Fund Equity*

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures.

Reserved for Encumbrances - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

Reserved for Excess Surplus – Designated for Subsequent Year's Expenditures - This reserve was created to represent the June 30, 2008 audited excess surplus that was appropriated in the 2009/2010 original budget certified for taxes.

Reserved for Excess Surplus – This reserve was created to represent the June 30, 2009 audited excess surplus that is required to be appropriated in the 2010/2011 original budget certified for taxes.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. *Fund Equity (Continued)*

Reserved for Capital Reserve Account – This reserve was created by the District to fund future capital expenditures (See Note 2.)

Designations of fund balance represent tentative management plans that are subject to change.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2009/2010 District budget certified for taxes.

8. *Reclassifications*

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2008/2009. During 2008/2009 the Board increased the original budget by \$411,142. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances. During the fiscal year no fund balance was appropriated.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of the certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrance accounting is employed in the governmental funds. 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 which are reappropriated and honored during the subsequent fiscal year.

B. Capital Reserve Account

A capital reserve account was established by the District on October 10, 2000. The accumulation of funds will be used for 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. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2009 is as follows:

Balance, July 1, 2008	\$ 1
Balance, June 30, 2009	\$ 1

C. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, 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 in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2009 is \$646,420. Of this amount, \$198,662 was designated and appropriated in the 2009/2010 original budget certified for taxes and the remaining amount of \$447,758 will be appropriated in the 2010/2011 original budget certified from taxes.

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At June 30, 2009, the book value of the Board's deposits was \$2,145,699 and bank balances of the Board's cash and deposits amounted to \$3,369,736. The Board's deposits which are displayed on the balance sheets and statement of net assets as “cash and cash equivalents” are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	<u>\$ 3,369,736</u>

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2009, the Board had no outstanding investments.

Investment and interest earnings in the Capital Projects Fund are assigned to the Debt Service Fund in accordance with Board policy.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year-end for the district's individual major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Accounts				\$ 18,733	\$ 18,733
Intergovernmental	\$ 103,862	\$ 107,128	\$ 783,838	3,726	998,554
Gross Receivables	103,862	107,128	783,838	22,459	1,017,287
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 103,862</u>	<u>\$ 107,128</u>	<u>\$ 783,838</u>	<u>\$ 22,459</u>	<u>\$ 1,017,287</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered grant draw downs	\$ 19,615
Capital Projects Fund	
Economic Development Authority School Facility Grants	27,610
Total deferred revenue for governmental funds	<u>\$ 47,225</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

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

	Balance, <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	-	\$ 586,597	-	\$ 586,597
Total capital assets, not being depreciated	-	586,597	-	586,597
Capital assets, being depreciated:				
Buildings	\$ 8,097,451			8,097,451
Improvements other than buildings	1,536,534			1,536,534
Machinery and equipment	465,222	166,424	-	631,646
Total capital assets being depreciated	10,099,207	166,424	-	10,265,631
Less accumulated depreciation for:				
Buildings	5,414,874	94,935		5,509,809
Improvements other than buildings	726,769	49,077		775,846
Machinery and equipment	321,920	24,946	-	346,866
Total accumulated depreciation	6,463,563	168,958	-	6,632,521
Total capital assets, being depreciated, net	3,635,644	(2,534)	-	3,633,110
Government activities capital assets, net	<u>\$ 3,635,644</u>	<u>\$ 584,063</u>	<u>\$ -</u>	<u>\$ 4,219,707</u>
	Balance, <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2009</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 125,060	-	-	\$ 125,060
Total capital assets being depreciated	125,060	-	-	125,060
Less accumulated depreciation for:				
Machinery and equipment	83,451	\$ 6,766	-	90,217
Total accumulated depreciation	83,451	6,766	-	90,217
Total capital assets, being depreciated, net	41,609	(6,766)	-	34,843
Business-type activities capital assets, net	<u>\$ 41,609</u>	<u>\$ (6,766)</u>	<u>\$ -</u>	<u>\$ 34,843</u>

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:

Instruction

Regular	\$	30,898
Other Instruction		1,941
Total Instruction		<u>32,839</u>

Support Services

Student and Instruction Related Services		18,570
Operations and maintenance of plant		117,549
Total Support Services		<u>136,119</u>

Total depreciation expense - governmental activities	\$	<u>168,958</u>
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Business-type activities:

Food Service Fund	\$	6,766
Total depreciation expense-business-type activities	\$	<u>6,766</u>

Construction commitments

The District has the following active construction projects as of June 30, 2009:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Alterations & Renovations at Passaic Valley High School and the Installation of the All Weather Track	\$ 3,019,470	\$ 24,073
Renovations and Improvements at Passaic Valley High School	<u>586,597</u>	<u>6,201,443</u>
	<u>\$ 3,606,067</u>	<u>\$ 6,225,516</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 42,925
General Fund	Capital Projects Fund	760,604
General Fund	Payroll Agency Fund	16,218
Debt Service Fund	Capital Projects Fund	5,807
General Fund	Student Activities Fund	16,000
		<u>\$ 841,554</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District's intention is to liquidate the above balances during the 2009-10 fiscal year.

Interfund transfers

	<u>Transfers In:</u>	
	<u>Debt Service</u>	<u>Total</u>
<u>Transfer Out:</u>		
Capital Projects Fund	\$ 5,712	\$ 5,712
	<u>\$ 5,712</u>	<u>\$ 5,712</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases

Operating Leases

The District leases copiers and office equipment under noncancelable operating leases. Lease payments for the year ended June 30, 2009 were \$117,987. The future minimum lease payments for these operating leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2010	\$ 23,194
Total	<u>\$ 23,194</u>

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2009 are comprised of the following issues:

\$950,000, 2001 Bonds, due in annual installments of \$70,000 through November 1, 2015, interest at 4.5%-4.75%	\$ 490,000
\$2,255,000, 2003 Bonds, due in annual installments of \$145,000 to \$180,000 through May 1, 2018, interest at 3.5%-4.0%	<u>1,540,000</u>
	<u>\$2,030,000</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Intergovernmental Loan Payable

The Board has entered into loan agreements with the New Jersey Economic Development Agency to provide funds for the acquisition and construction of major capital facilities.

Loans payable at June 30, 2009 are comprised of the following:

\$246,404, 1993 Loan due in Semi-annual installments of \$12,572 to \$18,255 through July 15, 2003 interest at 5.29%	\$83,894
\$82,134, 1993 Loans due in Semi-annual installments of \$3,409 through July 15, 2013 interest at 1.5%	<u>17,045</u>
Grand Total	<u>\$100,939</u>

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

<u>Fiscal Year</u>	<u>Serial Bonds</u>		<u>Intergovernmental Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 215,000	\$ 79,300	\$ 18,796	\$ 4,260	\$ 317,356
2011	225,000	71,005	19,452	3,377	318,834
2012	235,000	62,283	20,142	2,460	319,885
2013	245,000	53,123	20,884	1,504	320,511
2014	250,000	43,515	21,665	508	315,688
2015-2018	<u>860,000</u>	<u>78,390</u>	<u>-</u>	<u>-</u>	<u>938,390</u>
	<u>\$ 2,030,000</u>	<u>\$ 387,616</u>	<u>\$ 100,939</u>	<u>\$ 12,109</u>	<u>\$ 2,530,664</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2009 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 182,731,965
Less: Net Debt	<u>2,130,939</u>
Remaining Borrowing Power	<u>\$ 180,601,026</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Balance, July 1, 2008	Additions	Reductions	Balance, June 30, 2009	Due Within One Year
Governmental activities:					
Bonds payable	\$ 2,240,000		\$ 210,000	\$ 2,030,000	\$ 215,000
Capital leases					
Loans Payable	119,126		18,187	100,939	18,796
Compensated absences	<u>266,999</u>	<u>-</u>	<u>132,361</u>	<u>134,638</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 2,626,125</u>	<u>\$ -</u>	<u>\$ 360,548</u>	<u>\$ 2,265,577</u>	<u>\$ 233,796</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

G. Short-Term Debt

Project Notes

The Board issued Temporary Notes to interim finance capital projects. The Board's short-term debt activity for the year ended June 30, 2009 was as follows:

<u>Purpose</u>	Balance, July 1, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2009</u>
Temporary Note for Renovations and Improvements at Passaic Valley HS	<u>\$ -</u>	<u>\$ 1,875,000</u>	<u>\$ -</u>	<u>\$ 1,875,000</u>
	<u>\$ -</u>	<u>\$ 1,875,000</u>	<u>\$ -</u>	<u>\$ 1,875,000</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the District should they occur.

The District is a member of the Pooled Insurance Program (PIP). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The relationship between the Board and the insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which they were a member.

Pooled Insurance Program (PIP) provide its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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 fiduciary trust fund for the current and previous two years:

<u>Year Ended</u> <u>June 30,</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2009	\$ 26,940	\$ 11,807	\$ 142,077
2008	22,311	12,588	126,032
2007	21,792	6,451	112,942

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2009, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2009, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trusts. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2007, c.92, implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a Defined Contribution Retirement Program (DCRP) for elected and certain appointed officials, effective July 1, 2007; closed the Workers' Compensation Judges part of PERS to new members, effective July 1, 2007; eliminated the four percent fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans. It also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

P.L. 2007, c.103, certain parts effective July 1, 2007, provided for the following: changed employee contribution rates of TPAF, PERS (State employees only) and DCRP to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) and established for State employees an employee contribution of 1.5 percent of the employee's base salary.

Public Law 2009, c.19 (S-21) was enacted on March 17, 2009 and allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying the full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the PERS and/or PFRS obligations for payments due in the State fiscal year ending June 30, 2009. These payments were due on April 1, 2009.

Funding Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 76.0 percent with an unfunded actuarial accrued liability of \$28.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2007 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS and 5.5% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF.

Annual Pension Costs (APC)

During the year ended June 30, 2009 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals the annual required contribution. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

During the years ended June 30, 2009, 2008 and 2007 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension contributions (including non-contributory group life insurance (NCGI)) the following amounts:

<u>Year Ended</u> <u>June 30,</u>	<u>PERS</u>	<u>On-behalf</u> <u>TPAF</u>
2009	\$ 131,004	\$ 28,428
2008	93,081	633,512
2007	51,138	601,794

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During 2008/09 school year, the State of New Jersey did not contribute to the TPAF for normal cost. It only paid \$28,428 for the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$653,146 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, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local classified as a cost-sharing multiple-employer plan in the State's CAFR. The health benefit programs had a total of 452 state and local participating employers and contributing entities for Fiscal Year 2008.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Funds. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the State had a \$50.6 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) which is made up to \$18.4 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funded Status and Funding Progress (Continued)

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2007, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2009, 2008 and 2007 were \$542,335, \$707,098 and \$717,515, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

BUDGETARY COMPARISON SCHEDULES

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 18,854,854		\$ 18,854,854	\$ 18,854,854	
Transportation Fees from Other LEAs	200,000		200,000	196,021	\$ (3,979)
Miscellaneous	129,000		129,000	73,013	(55,987)
State Sources					
Categorical Transportation Aid	332,799		332,799	332,799	
Categorical Special Education Aid	741,309		741,309	741,309	
Categorical Security Aid	104,531		104,531	104,531	
Adjustment Aid	278,176	\$ (93,182)	184,994	129,177	(55,817)
Extraordinary Aid - 2008/09	33,176	93,182	126,358	126,358	
Non Public Transportation Reimbursement				21,924	21,924
On-behalf TPAF NCGI Premium (Non-budgeted)				28,428	28,428
On-behalf Post Retirement Medical Contribution (Non-budgeted)				542,335	542,335
Reimbursed TPAF Social Security Contributions (Non-budgeted)	-	-	-	653,146	653,146
Total Revenues	<u>20,673,845</u>	<u>-</u>	<u>20,673,845</u>	<u>21,803,895</u>	<u>1,130,050</u>
EXPENDITURES					
CURRENT EXPENSE					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 9-12	6,355,271	262,500	6,617,771	6,611,928	5,843
Regular Programs- Home Instruction					
Salaries of Teachers	96,720	12,075	108,795	108,795	
Other Salaries for Instruction	262,500	(262,500)			
Regular Programs - Undistributed Instruction					
Other Purchased Services	15,000		15,000	6,819	8,181
General Supplies	216,592	58,603	275,195	248,029	27,166
Textbooks	118,009	(11,000)	107,009	82,700	24,309
Other Objects	<u>16,645</u>	<u>-</u>	<u>16,645</u>	<u>16,645</u>	<u>-</u>
Total Regular Programs	<u>7,080,737</u>	<u>59,678</u>	<u>7,140,415</u>	<u>7,074,916</u>	<u>65,499</u>
Resource Room					
Salaries of Teachers	761,163	(37,145)	724,018	679,897	44,121
General Supplies	<u>10,142</u>	<u>2,400</u>	<u>12,542</u>	<u>12,530</u>	<u>12</u>
Total Resource Room	<u>771,305</u>	<u>(34,745)</u>	<u>736,560</u>	<u>692,427</u>	<u>44,133</u>
Total Special Education	<u>771,305</u>	<u>(34,745)</u>	<u>736,560</u>	<u>692,427</u>	<u>44,133</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES					
CURRENT EXPENSE (Continued)					
Bilingual Education					
Salaries of Teachers	\$ 21,656	\$ 424	\$ 22,080	\$ 527	\$ 21,553
General Supplies	-	-	-	-	-
Total Bilingual Education	21,656	424	22,080	527	21,553
School Sponsored Co-Curricular Activities					
Salaries	251,275		251,275	243,877	7,398
Supplies and Materials	144,650	-	144,650	123,432	21,218
Total School Sponsored Co-Curricular Activities	395,925	-	395,925	367,309	28,616
Co-Curricular Athletics					
Salaries	375,010	4,560	379,570	379,566	4
Purchased Services	7,000		7,000	6,661	339
Supplies and Materials	273,211	15,806	289,017	267,171	21,846
Total Co-Curricular Athletics	655,221	20,366	675,587	653,398	22,189
Total - Instruction	8,924,844	45,723	8,970,567	8,788,577	181,990
Undistributed Expenditures					
Instruction					
Tuition to County Voc.School Dist. - Reg.	646,011		646,011	640,511	5,500
Tuition to Priv. Sch. For the Disables W/I State	1,222,678	68,410	1,291,088	1,291,085	3
Charter Schools	27,271	-	27,271	-	27,271
Total Undistributed Expenditures - Instruction	1,895,960	68,410	1,964,370	1,931,596	32,774
Health Services					
Salaries	103,681	6,300	109,981	109,973	8
Supplies and Materials	59,705	(1,800)	57,905	57,324	581
Total Health Services	163,386	4,500	167,886	167,297	589
Other Support Services-Student-Related Serv.					
Salaries	50,000	(5,000)	45,000	22,713	22,287
Total Support Services- Student- Related Serv.	50,000	(5,000)	45,000	22,713	22,287
Other Support Services - Students - Regular					
Salaries of Other Professional Staff	560,555		560,555	557,739	2,816
Salaries of Sec. & Clerical Assts.	120,093		120,093	119,214	879
Supplies and Materials	12,500	578	13,078	7,469	5,609
Total Other Support Services - Students - Regular	693,148	578	693,726	684,422	9,304

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES					
CURRENT EXPENSE (Continued)					
Other Support Services - Students - Special Services					
Salaries of Other Professional Staff	\$ 332,437	\$ 3,675	\$ 336,112	\$ 326,079	\$ 10,033
Salaries of Sec. & Clerical Assts.	37,362	(3,400)	33,962	3,189	30,773
Miscellaneous Purchased Services	1,000		1,000	532	468
Supplies and Materials	9,371		9,371	2,498	6,873
Other Objects	1,042	-	1,042	1,039	3
	<u>381,212</u>	<u>275</u>	<u>381,487</u>	<u>333,337</u>	<u>48,150</u>
Total Other Support Services - Students - Special Services					
Educational Media Services/School Library					
Salaries	214,538	(28,000)	186,538	161,233	25,305
Other Objects	63,639	22,621	86,260	78,879	7,381
Supplies and Materials	3,639	-	3,639	1,243	2,396
	<u>281,816</u>	<u>(5,379)</u>	<u>276,437</u>	<u>241,355</u>	<u>35,082</u>
Total Educational Media Services/School Library					
Support Services General Administration					
Salaries	300,015	7,350	307,365	307,340	25
Legal Services	7,500		7,500	354	7,146
Other Purchased Professional Services	50,000	(5,000)	45,000	31,360	13,640
Communications/Telephone	75,935	9,775	85,710	85,708	2
Insurance	51,080	(8,300)	42,780	36,985	5,795
Travel		3,600	3,600	3,600	
Miscellaneous Expenditures	54,600	46,100	100,700	100,685	15
	<u>539,130</u>	<u>53,525</u>	<u>592,655</u>	<u>566,032</u>	<u>26,623</u>
Total Support Services General Administration					
Support Services School Administration					
Salaries of Principals/Asst. Principals	350,456	4,460	354,916	354,914	2
Salaries of Secretarial and Clerical Assistants	230,511	8,050	238,561	238,559	2
Travel	3,500		3,500	656	2,844
Supplies and Materials	8,645	-	8,645	6,979	1,666
	<u>593,112</u>	<u>12,510</u>	<u>605,622</u>	<u>601,108</u>	<u>4,514</u>
Total Support Services School Administration					
Central Services					
Salaries	249,940		249,940	249,871	69
Insurance	74,085		74,085	74,085	
Travel		750	750	142	608
Other Objects	133,904	65,000	198,904	198,899	5
	<u>457,929</u>	<u>65,750</u>	<u>523,679</u>	<u>522,997</u>	<u>682</u>
Total Central Services					
Admin. Info. Technology					
Salaries	110,942		110,942	109,965	977
Supplies and Materials	120,000	86,360	206,360	204,073	2,287
	<u>230,942</u>	<u>86,360</u>	<u>317,302</u>	<u>314,038</u>	<u>3,264</u>
Total Admin. Info. Technology					
Undist. Expend. - Required Maint. For School Facilities					
Salaries	137,285		137,285	135,444	1,841
Cleaning, Repair, and Maintenance	427,375	44,037	471,412	298,280	173,132
General Supplies	9,040		9,040	2,748	6,292
Other Objects	17,680	875	18,555	17,225	1,330
	<u>591,380</u>	<u>44,912</u>	<u>636,292</u>	<u>453,697</u>	<u>182,595</u>
Total Undist. Expend - Required Maint. For School Facilities					

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES					
CURRENT EXPENSE (Continued)					
Oth. Oper. & Maint. Of Plant					
Salaries	\$ 985,325	\$ 63,000	\$ 1,048,325	\$ 1,048,316	\$ 9
Cleaning, Repair, and Maintenance Services	145,752	(18,210)	127,542	62,572	64,970
Other Purchased Property Services	25,000	4,750	29,750	29,700	50
General Supplies	130,650	237	130,887	110,042	20,845
Energy(Heat and Electricity)	<u>542,118</u>	<u>16,300</u>	<u>558,418</u>	<u>558,370</u>	<u>48</u>
Total Undist. Expend. - Oth. Oper. & Maint. Of Plant	<u>1,828,845</u>	<u>66,077</u>	<u>1,894,922</u>	<u>1,809,000</u>	<u>85,922</u>
Student Transportation Services					
Sal. for Pupil Trans. (Btwn. Home & School) - Reg	56,691		56,691	54,768	1,923
Other Purchased Professional and Technical Services	4,500		4,500	3,975	525
Contracted Services (Between Home and School) - Vendors	615,650	1,026	616,676	616,672	4
Contracted Services (Other Than Between Home and School) - Vendors	177,500	4,575	182,075	182,051	24
Contracted Services (Sp Ed Stds)- Vendors	454,564	17,350	471,914	471,708	206
Contracted Serv- Aid in Lieu Pymts- NonPub Sch	<u>260,000</u>	<u>-</u>	<u>260,000</u>	<u>243,979</u>	<u>16,021</u>
Total Student Transportation Services	<u>1,568,905</u>	<u>22,951</u>	<u>1,591,856</u>	<u>1,573,153</u>	<u>18,703</u>
Business and Other Support Services					
Miscellaneous Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business and Other Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	240,767	1,600	242,367	242,350	17
Other Retirement Contributions	131,004		131,004	131,004	
Workmen's Compensation	119,350	-	119,350	118,094	1,256
Health Benefits	<u>1,979,090</u>	<u>(209,000)</u>	<u>1,770,090</u>	<u>1,749,486</u>	<u>20,604</u>
Total Unallocated Benefits - Employee Benefits	<u>2,470,211</u>	<u>(207,400)</u>	<u>2,262,811</u>	<u>2,240,934</u>	<u>21,877</u>
On-behalf TPAF NCGI Premium (Non-budgeted)				28,428	(28,428)
On-behalf Post Retirement Medical Contribution (Non-budgeted)				542,335	(542,335)
Reimbursed TPAF Social Security Contributions (Non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>653,146</u>	<u>(653,146)</u>
Total On-behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,223,909</u>	<u>(1,223,909)</u>
Total Undistributed Expenditures	<u>11,745,976</u>	<u>208,069</u>	<u>11,954,045</u>	<u>12,685,588</u>	<u>(731,543)</u>
Total Expenditures - Current Expense	<u>20,670,820</u>	<u>253,792</u>	<u>20,924,612</u>	<u>21,474,165</u>	<u>(549,553)</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction					
Grades 9-12	\$ 67,500	\$ 29,148	\$ 96,648	\$ 88,260	\$ 8,388
Undistributed Expenditures					
Support Serv. - Inst. Staff	36,000	-	36,000	18,133	17,867
Operation and Maint. of Plant Services	79,000	18,150	97,150	87,043	10,107
Central Services	83,000	7,975	90,975	90,975	-
	<u>265,500</u>	<u>55,273</u>	<u>320,773</u>	<u>284,411</u>	<u>36,362</u>
Total Equipment					
	<u>265,500</u>	<u>55,273</u>	<u>320,773</u>	<u>284,411</u>	<u>36,362</u>
Total Capital Outlay					
	<u>20,936,320</u>	<u>309,065</u>	<u>21,245,385</u>	<u>21,758,576</u>	<u>(513,191)</u>
Total Expenditures					
	<u>20,936,320</u>	<u>309,065</u>	<u>21,245,385</u>	<u>21,758,576</u>	<u>(513,191)</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(262,475)	(309,065)	(571,540)	45,319	616,859
Transfer of Funds to Charter Schools	(36,806)	-	(36,806)	(36,806)	-
Fund Balances, Beginning of Year	1,236,018	-	1,236,018	1,236,018	-
Fund Balances, End of Year	<u>\$ 936,737</u>	<u>\$ (309,065)</u>	<u>\$ 627,672</u>	<u>\$ 1,244,531</u>	<u>\$ 616,859</u>
Recapitulation:					
Reserved for Encumbrances				\$ 23,138	
Capital Reserve				1	
Excess Surplus				447,758	
Excess Surplus, Designated for Subsequent Year's Budget				198,662	
Unreserved- Designated for Subsequent Year's Budget				141,619	
Unrestricted Fund Balance				<u>433,353</u>	
				1,244,531	
Less: State Payments Not Recognized on GAAP					
Deferred State Aid			\$ 38,607		
Extraordinary Aid			<u>126,358</u>		
				<u>(164,965)</u>	
Fund Balance, GAAP Basis				<u>\$ 1,079,566</u>	

PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO. 1 BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Federal Sources	\$ 288,779	\$ 102,077	\$ 390,856	\$ 374,319	\$ (16,537)
Total Revenues	<u>288,779</u>	<u>102,077</u>	<u>390,856</u>	<u>374,319</u>	<u>(16,537)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	62,104	21,952	84,056	80,500	3,556
Purchased Professional Educational Services	11,082	3,917	15,000	14,365	635
Tuition	193,470	68,387	261,857	250,778	11,079
General Supplies	<u>7,765</u>	<u>2,745</u>	<u>10,510</u>	<u>10,065</u>	<u>445</u>
Total Instruction	<u>274,421</u>	<u>97,002</u>	<u>371,423</u>	<u>355,708</u>	<u>15,715</u>
Support Services					
General Supplies	<u>14,358</u>	<u>5,075</u>	<u>19,433</u>	<u>18,611</u>	<u>822</u>
Total Support Services	<u>14,358</u>	<u>5,075</u>	<u>19,433</u>	<u>18,611</u>	<u>822</u>
Total Expenditures	<u>288,779</u>	<u>102,077</u>	<u>390,856</u>	<u>374,319</u>	<u>16,537</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PASSAIC VALLEY REGIONAL HIGH SCHOOL DISTRICT NO.1 BOARD OF EDUCATION
GENERAL AND SPECIAL REVENUE FUNDS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The accounting records of the Special Revenue Funds 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.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 21,803,895	\$ 374,319
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2008		9,088
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2009		
Certain State Aid payments recognized for GAAP Statements, not recognized for budgetary purposes - Prior Year	96,122	
Certain State Aid payments recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(164,965)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 21,735,052</u>	<u>\$ 383,407</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	\$ 21,795,382	\$ 374,319
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2008		\$ 9,088
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2009	<u>-</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 21,795,382</u>	<u>\$ 383,407</u>

APPENDIX C

Form of Approving Legal Opinion

McMANIMON & SCOTLAND, L.L.C.

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The Board of Education of the
Passaic Valley Regional High School District #1
in the County of Passaic, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Passaic Valley Regional High School District #1 in the County of Passaic, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$6,788,000 School Bonds, dated July 8, 2010 (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 October 14, 2008 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on December 8, 2008 and (iii) a resolution duly adopted by the Board of Education on May 25, 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 the Board of Education has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the school district for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

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,