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

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

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 30, 2010

In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, assuming continuing compliance by the Issuer (as defined herein) with certain covenants described herein, interest on the Bonds (as defined herein) is not includable in gross income for federal income tax purposes under current law, and is not an item of tax for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds held by corporate taxpayers is not included in the relevant income computation for calculation of the federal alternative minimum tax imposed on corporations as a result of interest on the Bonds not being included in "adjusted current earnings." Bond counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX EXEMPTION" herein.

New Issue | Serial Bonds

Advertisement and Blank Proposal

THE BOARD OF EDUCATION OF THE TOWNSHIP OF QUINTON IN THE COUNTY OF SALEM, NEW JERSEY
$1,821,000 SCHOOL BONDS
(Callable)(Book-Entry-Only)(Bank Qualified)

Dated: Date of Delivery | Due: February 15, as shown below

The $1,821,000 School Bonds (the "Bonds") of The Board of Education of the Township of Quinton in the County of Salem, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository for the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 15 and August 15 in each year until maturity or earlier redemption, commencing August 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 subject to redemption prior to their stated maturities. See "REDEMPTION" herein.

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

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Year	Amount	Interest Rate	Yield	Year	Amount	Interest Rate	Yield
2012	$65,000			2021	$100,000		
2013	70,000			2022	105,000		
2014	75,000			2023	110,000		
2015	80,000			2024	115,000		
2016	85,000			2025	125,000		
2017	90,000			2026	125,000		
2018	91,000			2027	130,000		
2019	95,000			2028	130,000		
2020	100,000			2029	130,000		

The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon & Scotland, L.L.C., Newark, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Board's Bond Counsel, McManimon & Scotland, L.L.C., or at such other place as agreed to with the Underwriter on or about July 29, 2010.

ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON JULY 13, 2010. FOR MORE INFORMATION VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF QUINTON
IN THE COUNTY OF SALEM, NEW JERSEY

BOARD MEMBERS

Mary Layman, President
Meggin Wentzell, Vice President
Alice P. Moore
Stacey B. Sickler
Heather M. Mullen

SUPERINTENDENT OF SCHOOLS

Donna Agnew

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Heather M. Mayhew

BOARD AUDITOR

Petroni & Associates LLC
Glassboro, New Jersey

BOARD ATTORNEY

George G. Rosenberger, Jr., Esq.
Woodstown, New Jersey

BOND COUNSEL

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 TOWNSHIP OF QUINTON
IN THE COUNTY OF SALEM, NEW JERSEY
$1,821,000
SCHOOL BONDS
(CALLABLE) (BOOK-ENTRY-ONLY ISSUE) (BANK QUALIFIED)

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of Quinton in the County of Salem, 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 $1,821,000 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 29, 2010 and shall mature on February 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 29, 2010, which interest shall be payable semi-annually on the fifteenth day of February and August commencing on August 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 February 1 and August 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 February 15, 2021 are not be subject to optional redemption. The Bonds maturing on or after February 15, 2021 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after February 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 22, 2009 and approved by a majority of the legal voters present and voting at the school district election held on December 8, 2009 and by a resolution duly adopted by the Board on May 27, 2010.

The purpose of the Bonds is to (a) undertake various acquisitions and improvements to the Quinton Township Elementary School; (b) undertake the acquisition and installation of solar panels, including any necessary electrical system upgrades at Quinton School; and (c) acquire the necessary equipment and undertake any associated site work. The total cost of the project is $4,839,850. The project will be permanently funded through the issuance of the Bonds, $2,717,885 of grants from the State of New Jersey, $300,000 from the Board's capital reserve account and the additional $965 will be made available from other funds of the Board of Education. The Board is eligible to receive debt service aid from the State of New Jersey in the amount of 64.4694% of the annual debt service due with respect to the final eligible costs of the solar energy projects. However, facilities aid for fiscal year 2011 had been reduced by 15%. See "Summary of State Aid to School Districts" herein.

BOOK-ENTRY-ONLY SYSTEM[1]

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

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

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

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

<u>Categories of School Districts</u>

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

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

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), further provided limitations on a school district spending by limiting the amount a school district can raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c.62 provides for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that must be approved by the Commissioner.

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

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

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

Issuance of Debt

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

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

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

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

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

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

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

Exceptions to Debt Limitation

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

Capital Lease Financing

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

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

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

Notwithstanding over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid, supplemental core curriculum standards aid, 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 $320,669 of its State aid will be withheld through the end of the current fiscal year. The Board developed a plan that involves 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 $3,399,422 for fiscal year 2010 to $2,944,943 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 reduces debt service aid by 15% in fiscal year 2011 and school districts receiving aid financed through the New Jersey Economic Development Authority, such as grants, will be assessed an amount representing 15% of their proportionate share of the fiscal 2011 principal and interest payments on the outstanding bonds issued for the program.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Tax Assessment and Collection Procedure</u>

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

Upon the filing of certified adopted budgets by the Township's Local School District and the County, the tax rate is struck by the Salem 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 <u>et</u> <u>seq</u>. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

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

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

Tax Appeals

The New Jersey Statues provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the Salem 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 Nick L. Petroni of Petroni & Associates, Glassboro, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B - Financial Statements of The Board of Education of the Township of Quinton in the County of Salem, New Jersey".

LITIGATION

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

TAX EXEMPTION

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

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

New Jersey Gross Income Tax

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

Certain Federal Tax Consequences Relating to the Bonds

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

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

Bank Qualification

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

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

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

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

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

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

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

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

RATING

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

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

SECONDARY MARKET DISCLOSURE

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

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

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

(1) Principal and interest payment delinquencies;

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

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

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

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

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

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

The Board is in compliance with the Rule with respect to its prior undertakings.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Heather M. Mayhew, Business Administrator/Board Secretary at (856) 935-2379.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

THE BOARD OF EDUCATION OF THE TOWNSHIP OF QUINTON IN THE COUNTY OF SALEM, NEW JERSEY

By: ____

Heather M. Mayhew, Business Administrator/Board Secretary

APPENDIX A

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

SCHOOL DISTRICT

General Information

The School District provides a full range of educational services appropriate to grade levels Pre-K through 8. Quinton Township high school students attend Salem High School through a sending/receiving relationship, for which the School District pays tuition. These services include regular, as well as special education for handicapped youngsters. A certain percentage of special education students are enrolled in programs outside the School District, for which tuition is also paid/

Overview

Administration

The School District's administration is made up of a Superintendent, Board Secretary/Business Administrator and a Principal.

Enrollment

Fiscal Year	Pupil Enrollment	% Change
2009	371	9.7%
2008	338	2.3%
2007	346	.8%
2006	349	2.9%
2005	339	-5.8%

Source: School District Records

Facilities and Capacity

The following table outlines *inter alia* the facilities of the School District and functional capacity thereof.

Name of School	Date Constructed	Renovations/ Additions	Grade Level	Functional Capacity
Quinton Elementary School	1929	1952,1959,1980,2000	Pre-K-8	526

Employment

The Quinton Township Elementary School employs a total of approximately 60 employees, which consists of 38 certified employees and 22 other employees, such as custodians, secretaries and food service workers.

Labor Relations

Negotiations for a new contract began January 2010 and will take effect September 2010. Such contracts are for three consecutive years.

Vacation, Personal Days and Sick Leave

The School District allows its employees to accumulate unused sick leave from year to year; however, compensation for such is not made upon resignation or retirement unless the employee has a minimum of 100 days in accordance with the District's agreement with the employee union. Employees also receive two (2) personal days each year. Employees are required to use their vacation time each year. Unused vacation time cannot be carried over to a subsequent year.

Pension Plan/ Retirement Plan

Description of Plans - All eligible employees of the District are covered by either the Public Employees' Retirement System, (P.E.R.S.) or the Teachers' Pension and Annuity Fund (T.P.A.F.), a cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm.

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

Public Employees' Retirement System (PERS) – The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

GENERAL INFORMATION REGARDING THE TOWNSHIP

GOVERNMENTAL STRUCTURE

Township of Quinton

The Township of Quinton ("Township") consists of 25.3 square miles, which is located in the County of Salem, New Jersey, approximately 35 and 10 miles from the cities of Philadelphia, Pennsylvania and Wilmington, Delaware, respectively.

A gently rolling terrain, scattered with farms and wooded areas, the Township is situated in the southern section of the county. Only 10% of the land is developed. The Township has several water-oriented recreation areas and also has a golf course within its borders.

Township Government

The Township, incorporated on March 19, 1901, operates under the Township form of government. The governing body consists of three Committee Members elected at large and a chief executive officer, the Mayor, who is appointed by the existing Committee Members. All Committee Members are elected for three-year terms with on Committee position being voted upon each year. The Mayor and Committee Members meet on the first Wednesday of each month.

The Mayor exercises the executive power of the Township. Under the Mayor's direction, the Township Administration is organized under various professional Departments, including Administration, Finance, Public Safety, Public Works, Health and Welfare, and Parks and Recreation.

Utilities and Communications

Public services are provided primarily by the Bell Atlantic Telephone Company, Atlantic City Electric and South Jersey Gas Company. There are two (2) Sprint and two (2) Nextel communications towers located in the Township.

Police, Fire and First Aid Services

The Township does not have its own police force, but is patrolled by the New Jersey State Police. The Township does have its own volunteer fire and first aid services.

Transportation

New Jersey Transit operates a bus service in Salem County; however, Quinton Township is not included in their route.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following material presents certain economic and demographic information of the Township of Quinton, County of Salem and State of New Jersey.

Population

Year	Township Population	% Change	County Population	% Change	State Population	% Change
2000	2,786	10.9%	64,285	-1.5%	8,414,350	8.8%
1990	2,511	-13.0%	65,294	.9%	7,730,188	4.9%
1980	2,887	12.4%	64,676	7.2%	7,365,011	2.7%
1970	2,567		60,346		7,171,112	

Source: US Census

Building Permits

Year	Number of Permits	Value of Construction
2009	130	$1,047,777
2008	137	1,982,477
2007	192	1,531,228
2006	200	2,723,198

Source: Township Construction Office

Employment and Unemployment Comparisons

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Township				
2009	1,319	1,169	150	11.3%
2008	1,290	1,204	86	6.7%
2007	1,301	1,232	68	5.3%
2006	1,311	1,242	69	5.3%
County				
2009	32,196	28,757	3,439	10.7%
2008	31,593	29,618	1,975	6.3%
2007	31,886	30,311	1,575	4.9%
2006	32,137	30,546	1,591	5.0%
State				
2009	4,536,658	4,118,367	418,291	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	4,518,036	4,309,022	209,014	4.6%

Source: Bureau of Labor Statistics

Largest Employers in the Township

Employer	Type of Industry
Quinton Township School	Education
Hudock's Custard Stand	Food
Marlboro Farm Market	Farm Market
Bobbit Pontiac	Car dealership
Quinton Township	Government

Source: District Officials

Ten Largest Taxpayers

Taxpayer	Assessed Valuation
IS Smick Lumber	$2,685,000
Wild Oaks Club	2,111,000
Taxpayer #1	1,996,411
4 C's Rental	1,696,000
Taxpayer #2	1,024,000
Third Garden	882,500
Taxpayer #3	771,700
Bonaccurso	694,100
Verizon	626,100
American Tower	583,900

Source: Municipal Tax Assessor

Comparisons of Tax Levies and Collections

Year	Tax Levy	Cash Collection	% of Collection
2009	$3,765,003.95	$3,566,297.76	94.72%
2008	3,976,565.23	3,789,190.98	95.29%
2007	4,255,427.92	4,058,762.84	95.38%
2006	4,091,464.47	3,888,946.85	95.05%
2005	3,844,922.05	3,615,896.48	94.04%
2004	3,557,077.03	3,316,845.85	93.25%

Source: Municipal Audit

Delinquent Taxes and Tax Title Lien

Year	Amount of Tax Lien	Amount of Delinquent Tax	% of Levy
2009	$102,187.60	$166,419.99	7.13%
2008	267,747.67	152,133.16	10.56%
2007	246,006.79	164,499.08	9.65%
2006	220,809.82	190,357.03	10.05%
2005	228,340.10	215,129.51	11.53%

Source: Municipal Audit

Property Acquired by Tax Title Lien

Year	Amount
2009	$953,400
2008	233,300
2007	233,300
2006	233,300
2005	233,300

Net Assessed Valuations and Annual Tax Rates

Year	Net Assessed Valuation	Total Tax Rate	County	Local School	Municipal
2009	$186,265,583	2.011	.713	1.132	.166
2008R	186,944,783	2.120	.742	1.195	.183
2007	121,695,748	3.477	1.282	1.937	.258
2006	120,719,922	3.379	1.252	1.887	.240
2005	119,319,569	3.200	1.164	1.796	.240

R = Revaluation Year
Source: Municipal Audit

Real Property Classification

	2009	2008	2007	2006	2005
Vacant Land	$6,049,500	$6,329,800	$4,200,100	$4,315,000	$4,685,800
Residential	132,768,200	132,055,000	84,064,900	82,922,800	81,936,900
Farm (Regular)	24,526,600	25,856,200	18,240,400	18,415,800	17,506,800
Farm (Qualified)	5,123,100	4,996,800	3,454,000	3,462,400	3,614,300
Commercial	16,378,700	16,367,400	10,807,600	10,646,700	10,497,900
Apartments	519,000	939,800	302,600	302,600	302,600
Totals	185,365,100	186,545,000	121,069,600	120,065,300	118,544,300

Source: Township Tax Assessor

Ratio of Assessed Valuation to True Value

Year	Aggregate Assessed Valuation (Net)	Ratio to True Value	Aggregate True Value Real Property
2009	$186,265,583	125.58%	$149,655,515
2008	186,944,783	126.38	149,310,035
2007	121,695,748	73.75	165,932,291
2006	120,719,922	79.56	152,681,564
2005	119,319,569	86.17	139,468,355

Source: Abstract of Ratables, County Board of Taxation

OTHER POST EMPLOYMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pensions and Annuity Fund (T.P.A.F.) and the Public Employees' Retirement System (P.E.R.S.), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating twenty-five 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 (T.P.A.F.) and (P.E.R.S.). It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed, from a pre-funding basis, to a pay-as-you-go basis, beginning in fiscal year 1994, with an additional contribution beginning in fiscal year 1996 which will increase the medical reserve of half of one percent of the active State payroll.

The State made post-retirement (P.R.M.) contributions of $592.7 million for T.P.A.F. and $224.3 million for P.E.R.S. in fiscal year 2008.

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

Statement of Indebtedness
(as of December 31, 2009)

Bonds and Notes Issued:	
General	$2,638,000
School District	1,670,000
Bonds and Notes Authorized but not Issued:	
General	379,214
School District	0
Gross Direct Debt	4,687,214
Statutory Deductions:	
School District	1,670,000
Applicable to Other Bonds and Notes	0
Total Statutory Deductions	1,670,000
Statutory Net Debt	3,017,214
Average Equalized Valuation of Real Property for the years 2007, 2008 and 2009	163,763,331
Statutory Net Debt as a Percentage of Equalized Value	1.84%

Source: Municipal Debt Statement

	Before Issue	After Issue
Average Equalized Valuation of Real Property for the years 2007, 2008 and 2009	$163,763,331	$163,763,331
Township Statutory Borrowing Power	5,731,717	5,731,717
Net Debt	3,017,214	3,017,214
Township Remaining Borrowing Power	2,714,503	2,714,503
School District Borrowing Capacity 3% of Average Equalized Valuation	4,912,900	4,912,900
Net Debt	1,550,000	3,371,000
School District Remaining Borrowing Power	3,362,900	1,541,900

Overlapping Debt

(as of December 31, 2009)

Overlapping Debt of the Township was as follows:

County		
Total Gross Debt	$39,378,000	
Less: Statutory Deductions	2,519,500	
County Net Debt		$36,858,500
Township of Quinton's Share 2.58%		950,949
Township Share of Salem County Improvement Authority and Utility Authority 2.58%		424,023
Net Overlapping Debt		1,374,972
Gross Debt		
Township of Quinton (100%)		3,017,214
Quinton School District		1,670,000
Combined Debt (Municipal Gross & Net Overlapping		6,062,186
Statutory Net Debt Municipal		3,017,214
Statutory Net Debt and Overlapping		3,968,163
2009 Net Valuation Taxable		186,265,583
2009 Equalized Valuation of Real Property with Improvement		196,319,742
Combined Gross Debt as % of 2009 Equalized Valuation		3.12%
Net Debt per Capita - Municipal		1,062
Net Municipal Debt and Overlapping Debt per Capita		1,397

APPENDIX B

Financial Statements of The Board of Education of the Township of Quinton in the County of Salem, New Jersey

PETRONI & ASSOCIATES
Certified Public Accountants • Registered Municipal Accountants
21 W. High Street • P.O. Box 279 • Glassboro, NJ 08028
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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Quinton Township School District
County of Salem
Quinton, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the Board of Education of the Quinton Township School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Quinton Township School Board of Education's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards,* we have also issued our report dated September 18, 2009 on our consideration of the Quinton Township School 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison on pages 14 through 21 and 62 through 73 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

PETRONI & ASSOCIATES

Petroni & Associates

Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542

September 18, 2009

Required Supplementary Information – Part I

Quinton Township School District
Quinton, NJ

Management Discussion & Analysis
Fiscal Year ended June 30, 2009
Unaudited

This section of the Quinton Township School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2009. Comparative financial data between the current year (2008-2009) and the prior year (2007-2008) is included as required by G.A.S.B. No. 34. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term and long-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations 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 the *short-term* as well as what remains for future spending.

- *Proprietary funds statements* offer *short-term* and *long-term* financial information about activities the District operates *like businesses*.

- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table 1 below summarizes the major features of the District'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.

Table 1: Major Features of the District-wide and Fund Financial Statements
Fund Financial Statements

	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary 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	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	• Statement of net assets • Statement of activities	• Balance Sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses, and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability	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	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during the 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	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements

The district-wide statements report information about the District 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 - are one way to measure the District's overall 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 financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts or completing approved capital projects) or to show that it is properly using certain revenues (such as federal grants).

The District has four 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 the reader 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, additional information at the bottom of the governmental funds statements explains 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. In fact, the District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flow.

- *Internal service funds:* (the other kind of proprietary fund) are optional and utilized to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund.

- *Fiduciary funds:* The District is the trustee, or *fiduciary,* for assets that belong to others, such as the student activity fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets: The District's combined total assets are $3,757,407 on June 30, 2009 (see Table 2). Approximately .9% of the total net assets are from business-type activities, while the balance of the total net assets is 99.1%, attributable to governmental activities (see Exhibit A-1).

Table 2

Quinton Township School District's Net Assets

	2008		2009		Total	
	Governmental	Business-Type	Governmental	Business-Type	2008	2009
Assets						
Current and Other Assets	905,806	17,451	1,127,550	24,815	923,257	1,152,365
Capital Assets	2,694,117	11,037	2,602,265	11,583	2,705,154	2,613,848
Total Assets	**3,599,923**	**28,488**	**3,729,815**	**36,398**	**3,628,411**	**3,766,213**
Liabilities						
Current Liabilities	22,376		100,539	1,386	22,376	101,925
Noncurrent Liabilities	1,839,360		1,773,566		1,839,360	1,773,566
Total Liabilities	**1,861,736**		**1,874,105**	**1,386**	**1,861,736**	**1,875,491**
Net Assets						
Invested in Capital Assets, Net of Related Debt	909,117	11,037	932,265	11,583	920,154	943,848
Restricted	698,870		1,059,975		698,870	1,059,975
Unrestricted	130,200	17,451	(136,530)	23,429	147,651	(113,101)
Total Net Assets	**1,738,187**	**28,488**	**1,855,710**	**35,012**	**1,766,675**	**1,890,722**

The District's combined net assets were $1,890,722 on June 30, 2009. This was an increase of $124,047 or 6% from the prior year.

Table 3 shows changes in net assets for fiscal year 2009.

Changes in net assets. The District's total revenues are $6,281,277 for the fiscal period ended June 30, 2009 (see Table 3). Property taxes and state grants and entitlements accounted for 87.7% of the District's revenue, 7% is derived from state and federal aid for specific programs, and the remainder, 5.3% from fees charged for services and miscellaneous resources (see Exhibit A-2).

Table 3

Quinton Township School District's Net Assets

Changes in Net Assets

	2008		2009		Total	
	Governmental	Business-Type	Governmental	Business-Type	2008	2009
Revenues						
Program Revenues						
Charges for services	65,898	66,967	66,059	68,573	132,865	134,632
Federal & State categorical grants	535,835	73,873	329,351	114,028	609,708	443,379
General Revenues						
Property Taxes	2,393,690		2,074,528		2,393,690	2,074,528
Grants and Entitlements	2,994,317		3,441,066		2,994,317	3,441,066
Other	158,735		192,859	3,619	158,735	196,478
Total Revenues	**6,148,475**	**140,840**	**6,103,863**	**186,220**	**6,289,315**	**6,290,083**
Expenses						
Instruction-related	2,126,853		2,291,263		2,126,853	2,291,263
Tuition and student support services	1,589,315		1,339,610		1,589,315	1,339,610
General administration	239,005		267,800		239,005	267,800
School administration	91,988		95,236		91,988	95,236
Central services	114,184		122,935		114,184	122,935
Administrative information tech.	2,849		1,972		2,849	1,972
Plant operations & maintenance	319,428		318,676		319,428	318,676
Pupil transportation	373,515		402,393		373,515	402,393
Employee benefits	1,048,910		979,615		1,048,910	979,615
Interest on debt	75,807		72,950		75,807	72,950
Capital outlay	6,784		3,619			3,619
Food service		146,095		179,696	146,095	179,696
Depreciation	91,639		90,271		91,639	90,271
Total Expenses	**6,080,277**	**146,095**	**5,986,340**	**179,696**	**6,226,372**	**6,166,036**
Increase (Decrease) in Net Assets	**68,198**	**(5,255)**	**117,523**	**6,524**	**62,943**	**124,047**

The District's predominant expenses are related to instruction and student support services, which is approximately 58.9%. Employee benefits make up 15.9% of the District's expenses.

Another 7.9% is related to Administrative and Business departments, 6.5% for transportation expenses and 5.2% is related to Maintenance & Operations. Interest on debt made up 1.2%.and food service 2.9% of the overall expenditures. The remaining 1.5% is depreciation and capital outlay.

Governmental Activities

Revenues for governmental activities were $6,103,863 while total expenses amounted to $5,986,340. This resulted in an increase in net assets in governmental activities of $108,717 for FY 2009.

Overall, the District's financial position can be credited to increased revenue and controlling expenses due to the impending state budget crisis, and the District securing grants to supplement local and state funding.

Business-Type Activities

Revenues of the District's business-type activities (food and nutrition services) were comprised of charges for services, federal and state reimbursements and investment earnings.

- Business-type activities revenues exceeded expenses by $6,524.
- Charges for services represent $68,573 of revenue. This represents amounts paid by patrons for daily food service.
- Federal and state reimbursements for meals (which includes payments for free and reduced lunches and breakfast), fresh fruit and vegetable program and donated commodities was $114,028.

Financial Analysis of the District's Funds

The strong financial performance of the District as a whole is primarily reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of $1,017,767 (See Exhibit B-2). Tuition exceeded the amounts anticipated in the 2008-2009 budget by $83,975. The District also controlled expenditures resulting in increased fund balance as well.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into one category:

- Transfers between budgetary line accounts to prevent overruns.

The District's final budget anticipated utilizing $114,082 in fund balance and $58,761 of prior year encumbrances and legal reserves to fund the appropriation plan for this fiscal period. Due to the impending State budget crisis, actual expenditures in the last quarter of the fiscal year was minimal, leading to an increase of $129,991 in fund balance.

Capital Asset and Debt Administration

Capital Assets

The Quinton Township School District's investment in capital assets for its governmental and business type activities as of June 30, 2009 amounts to $2,616,743 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture (see Table 4) (more detailed information about capital assets can be found in Note 7 to the financial statements). The total decrease in capital assets for the current fiscal year was 3.4%.

Table 4

Quinton Township School District's Capital Assets

	2008			2009			Total	
	Governmental	Fiduciary	Business-Type	Governmental	Fiduciary	Business-Type	2008	2009
Land	8,757			8,757			8,757	8,757
Site Improvements	63,488			79,189			63,488	79,189
Buildings	2,497,635			2,422,206			2,497,635	2,422,206
Machinery & Equipment	124,237	4,502	11,037	92,113	2,895	11,583	139,776	106,591
Total	**2,694,117**	**4,502**	**11,037**	**2,602,265**	**2,895**	**11,583**	**2,705,154**	**2,616,743**

Long-Term Debt

At year-end, the District had $1,773,566 of outstanding debt. Of this amount, $1,670,000 is serial bonds outstanding. During fiscal year 1999-2000, the District sold $2.31 million in general obligation bonds to help finance facilities construction and improvements throughout the District. During fiscal year 2007-2008, the District initiated a debt service refinancing. $103,566 is for compensated absences.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The collective bargaining contract will expire in 2009-2010. The previous settlement was difficult to achieve.
- The District's special revenue is an unpredictable revenue source. The District avails itself of every grant opportunity to increase educational opportunities for the students.
- Special Education costs are highly unpredictable and have increased. Several unanticipated out of district special education placement have created a financial burden.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Heather M. Mayhew, Business Administrator, Quinton Township School District, P.O. Box 365, 8 Robinson Street, Quinton, NJ 08072.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

EXHIBIT A-1

QUINTON TOWNSHIP SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total Governmental Funds FY 2009	Total Governmental Funds FY 2008
ASSETS				
Cash and cash equivalents	453,803		453,803	616,482
Receivables, net	325,877	17,188	343,065	254,790
Inventory		7,627	7,627	5,903
Restricted assets:				
Cash and cash equivalents	6,508		6,508	6,508
Capital reserve account - cash	341,362		341,362	39,574
Capital assets				
Non-depreciable assets	8,757		8,757	8,757
Assets net of depreciation	2,593,508	11,583	2,605,091	2,696,397
Total Assets	3,729,815	36,398	3,766,213	3,628,411
LIABILITIES				
Accounts payable	5,251		5,251	9,128
Cash overdraft	95,288	1,386	96,674	12,841
Deferred revenue				407
Noncurrent liabilities:				
Due within one year	120,000		120,000	117,033
Due beyond one year	1,653,566		1,653,566	1,722,327
Total liabilities	1,874,105	1,386	1,875,491	1,861,736
NET ASSETS				
Invested in capital assets, net of related debt	932,265	11,583	943,848	920,154
Restricted for:				
Capital Projects	341,362		341,362	39,574
Debt Service	6,508		6,508	6,508
Other purposes	712,105		712,105	652,788
Unrestricted	(136,530)	23,429	(113,101)	147,651
Total net assets	1,855,710	35,012	1,890,722	1,766,675

The accompanying notes to the financial statements are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	1,645,575			(1,645,575)		(1,645,575)
Special education	572,604	66,059	296,549	(209,996)		(209,996)
Other special education	45,454			(45,454)		(45,454)
Other instruction	27,630			(27,630)		(27,630)
Support services:						
Tuition	933,497			(933,497)		(933,497)
Student & instructional related services	406,113		16,608	(389,505)		(389,505)
General administrative services	267,800			(267,800)		(267,800)
School administrative services	95,236			(95,236)		(95,236)
Central services	122,935			(122,935)		(122,935)
Administration information technology	1,972			(1,972)		(1,972)
Plant operations & maintenance	318,676			(318,676)		(318,676)
Pupil transportation	402,393			(402,393)		(402,393)
Employee benefits	979,615		16,194	(963,421)		(963,421)
Interest on long-term debt	72,950			(72,950)		(72,950)
Capital outlay	3,619			(3,619)		(3,619)
Unallocated depreciation	90,271			(90,271)		(90,271)
Total governmental activities	5,986,340	66,059	329,351	(5,590,930)		(5,590,930)
Business-type activities:						
Food Service	179,696	68,573	114,028		2,905	2,905
Total business-type activities	179,696	68,573	114,028		2,905	2,905
Total primary government	6,166,036	134,632	443,379	(5,590,930)	2,905	(5,588,025)
General revenues:						
Taxes:						
Property taxes, levied for general purpose, net				1,972,846		1,972,846
Taxes levied for debt service				101,682		101,682
Federal and State aid not restricted				3,441,066		3,441,066
Tuition charges				179,883		179,883
Investment Earnings				10,007		10,007
Miscellaneous Income				2,969		2,969
Capital contribution - fixed assets					3,619	3,619
Total general revenues, special items, extraordinary items and transfers				5,708,453	3,619	5,712,072
Change in Net Assets				117,523	6,524	124,047
Net Assets - beginning				1,738,187	28,488	1,766,675
Net Assets - end				1,855,710	35,012	1,890,722

The accompanying notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

EXHIBIT B-1

QUINTON TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds		Other Funds		
	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds FY 2009	Total Governmental Funds FY 2008
ASSETS					
Cash and cash equivalents	447,295		6,508	453,803	611,644
Tax levy receivable	172,876			172,876	199,474
Receivables from other governments	58,532	91,733		150,265	50,654
Restricted cash and cash equivalents	341,362			341,362	39,574
Total Assets	1,020,065	91,733	6,508	1,118,306	901,346
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash overdraft		95,288		95,288	12,841
Accounts payable		5,251		5,251	9,128
Deferred revenue					407
Total liabilities		100,539		100,539	22,376
Fund Balances:					
Reserved for:					
Encumbrances	13,028			13,028	58,761
Designated for subsequent year's expenditures	2,353			2,353	250,000
Capital reserve account	341,362			341,362	39,574
Current expense emergency	250,000			250,000	
Excess surplus	171,046			171,046	288,706
Excess surplus:					
Designated for subsequent year's expenditures	288,706			288,706	114,082
Unreserved, reported in:					
General Fund	(46,430)			(46,430)	135,496
Debt Service Fund			6,508	6,508	6,508
Special Revenue Fund		(8,806)		(8,806)	(14,157)
Total fund balances	1,020,065	(8,806)	6,508	1,017,767	878,970
Total liabilities and fund balances	1,020,065	91,733	6,508		

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-1
(Continued)

QUINTON TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2009

	FY 2009	FY 2008
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 assets is $4,872,690 and the accumulated depreciation is $2,270,425 (see Note 5).	2,602,265	2,694,117
Internal Service Funds are used by management to charge the costs of certain activities, such as transportation and food service to other governments. Assets and liabilities of the Internal Service Funds of $9,244 are included in governmental activities in the Statement of Net Assets.	9,244	4,460
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 (see Note 6).	(1,773,566)	(1,839,360)
Net assets of governmental activities	1,855,710	1,738,187

The accompanying notes to the financial statements are an integral part of this statement.

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

	Major Funds		Non-Major		
	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds FY 2009	FY 2008
REVENUES					
Local tax levy	1,972,846		101,682	2,074,528	2,393,690
Tuition from individuals	33,800			33,800	34,800
Tuition from LEA's	146,083			146,083	193,303
Interest earned on investments	9,761			9,761	23,873
Interest earned on capital reserve funds	246			246	1,046
Miscellaneous	2,969			2,969	11,763
	2,165,705		101,682	2,267,387	2,658,475
State sources	3,354,798	98,684	86,268	3,539,750	3,300,501
Federal sources		230,667		230,667	229,651
Total revenues	5,520,503	329,351	187,950	6,037,804	6,188,627
EXPENDITURES					
Current:					
Regular instruction	1,634,180			1,634,180	1,285,673
Special education instruction	241,270	291,198		532,468	743,501
Other special instruction	47,913			47,913	40,168
Other instruction	27,630			27,630	15,196
Support services & undistributed costs:					
Tuition	933,497			933,497	1,223,725
Student & instruction related services	367,465	16,608		384,073	356,990
General administrative services	222,684			222,684	209,806
School administrative services	95,236			95,236	91,988
Central services	122,935			122,935	114,184
Administration information technology	1,972			1,972	2,849
Plant operations and maintenance	342,203			342,203	339,450
Pupil transportation	402,393			402,393	373,515
Employee benefits	944,060	16,194		960,254	1,025,308
Debt service:					
Principal			115,000	115,000	115,000
Interest and other charges			72,950	72,950	75,807
Capital outlay	3,619			3,619	13,085
Total expenditures	5,387,057	324,000	187,950	5,899,007	6,026,245
Excess (Deficiency) of revenues over expenditures	133,446	5,351		138,797	162,382
Other financing sources (uses)					
Refunded bond proceeds					1,705,000
Bonds refunded					(1,600,000)
Cost of issuance					(125,214)
Premiums received on sale of bonds					20,214
Total other financing sources (uses)					
Net change in fund balances	133,446	5,351		138,797	162,382
Fund balance - July 1	886,619	(14,157)	6,508	878,970	716,588
Fund balance - June 30	1,020,065	(8,806)	6,508	1,017,767	878,970

The accompanying notes to the financial statements are an integral part of this statement.

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

Total net change in fund balances - governmental funds (from B-2)		138,797
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.		
	Capital outlays	25,500
	Depreciation expense	(117,352)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.		
	Bond principal payments	115,000
Internal Service Funds are used by management to charge the costs of certain activities, such as shared business services and child study team consortium. The operating income $4,784 are included in the governmental activities and Statement of Activities.		4,784
In the Statement of Activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.		(49,206)
Change in net assets of governmental activities		117,523

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-4

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

	Major Funds Business-type Activities - Food Service Fund FY 2009	Major Funds Business-type Activities - Food Service Fund FY 2008	Governmental Activities - Internal Service Fund
ASSETS:			
Current assets:			
Cash and cash equivalents		8,067	6,508
Accounts Receivable	17,188	3,481	2,736
Inventories	7,627	5,903	
Total current assets	24,815	17,451	9,244
Noncurrent assets:			
Furniture, machinery & equipment	91,913	93,194	
Less: accumulated depreciation	(80,330)	(82,157)	
Total noncurrent assets	11,583	11,037	
Total assets	36,398	28,488	9,244
LIABILITIES			
Cash overdraft	1,386		
Total liabilities	1,386		
NET ASSETS			
Reserve for encumbrances		360	
Invested in capital assets net of related debt	11,583	11,037	
Unrestricted	23,429	17,091	9,244
Total net assets	35,012	28,488	9,244

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-5

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

	Major Funds		Governmental
	Business-type Activities -		Activities -
	Food Service Fund		Internal
	FY 2009	FY 2008	Service Fund
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:	49,112	47,086	
Daily sales non-reimbursable programs	19,461	19,881	
Other charges and fees			66,059
Total operating revenue	68,573	66,967	66,059
OPERATING EXPENSES:			
Salaries	49,366	44,806	30,908
Employee benefits	15,352	17,220	21,394
Purchased professional educational services			8,973
Purchased professional/technical services	4,239	2,266	
Other purchased services			
Supplies and materials	3,597	183	
Cost of sales	104,069	78,848	
Depreciation	3,073	2,772	
Total operating expenses	179,696	146,095	61,275
Operating income (loss)	(111,123)	(79,128)	4,784

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-5
(Continued)

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

	Major Funds Business-type Activities - Food Service Fund FY 2009	 FY 2008	Governmental Activities - Internal Service Fund
NON-OPERATING REVENUES:			
State sources:			
National school lunch program - State	2,869	2,710	
National school breakfast program - State	980	997	
Federal sources:			
National school lunch program	54,272	47,289	
National school breakfast program	13,430	13,308	
Fruit and vegetable program	26,959		
Food distribution program	15,518	9,569	
Contributed capital - fixed assets	3,619		
Total non-operating revenues (expenses)	117,647	73,873	
Income (loss) before operating transfers	6,524	(5,255)	4,784
Net income (loss)	6,524	(5,255)	4,784
Total net assets - beginning	28,488	33,743	4,460
Total net assets - ending	35,012	28,488	9,244

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-6

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

	Major Funds Business-type Activities - Food Service Fund FY 2008	 FY 2008	Governmental Activities - Internal Service Fund
Cash flows from operating activities:			
Receipts from customers	68,573	66,967	64,504
Payments to suppliers	(98,112)	(72,088)	(8,973)
Payments to employees	(49,366)	(44,806)	(30,908)
Payments for employee benefits	(15,352)	(17,220)	(21,394)
Net cash provided (used) by operating activities	(94,257)	(67,147)	3,229
Cash flows from non-capital financing activities:			
Cash received from state & federal	84,804	64,287	
Net cash provided by non-capital financing activities	84,804	64,287	
Net increase in cash and cash equivalents	(9,453)	(2,860)	3,229
Cash and cash equivalents - July 1	8,067	10,927	3,279
Cash and cash equivalents - June 30	(1,386)	8,067	6,508

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-6
(Continued)

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

	Major Funds		Governmental
	Business-type Activities -		Activities -
	Food Service Fund		Internal
	FY 2009	FY 2008	Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(111,123)	(79,128)	4,784
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	3,073	2,772	
Food distribution program	15,518	9,569	
Change in assets and liabilities:			
(Increase) decrease in accounts receivable			(1,555)
(Increase) decrease in inventory	(1,725)	(360)	
	(94,257)	(67,147)	3,229

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-7

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

	Technology Trust	Unemployment Compensation Trust	Agency Funds	Total FY 2009	Total FY 2008
ASSETS:					
Current assets:					
Cash and cash equivalents	32,521	47,388	10,503	90,412	126,873
Total assets	32,521	47,388	10,503	90,412	126,873
Noncurrent assets:					
Furniture, machinery & equipment	8,037			8,037	8,037
Less: accumulated depreciation	(5,142)			(5,142)	(3,535)
Total noncurrent assets	2,895			2,895	4,502
Total assets	35,416			93,307	131,375
LIABILITIES					
Current liabilities:					
Due to student groups			10,503	10,503	10,510
Total current liabilities			10,503	10,503	10,510
NET ASSETS:					
Invested in capital assets net of of related debt	2,895			2,895	4,502
Held in trust for:					
Unemployment claims		47,388		47,388	56,490
Technology Expenditures	32,521			32,521	59,873
Total net assets	35,416	47,388		82,804	120,865

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT B-8

QUINTON TOWNSHIP SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2009

	Trust Funds		Total	
	Technology Trust	Unemployment Compensation Trust	FY 2009	FY 2008
ADDITIONS:				
Contributions:				
Plan Members		5,036	5,036	4,670
Others	13,089		13,089	52,777
Total contributions	13,089	5,036	18,125	57,447
Investment Earnings:				
Interest	358	321	679	2,337
Total investment earnings	358	321	679	2,337
Total additions	13,447	5,357	18,804	59,784
DEDUCTIONS:				
General supplies	46		46	
Equipment	40,753		40,753	1,951
Unemployment claims		14,459	14,459	868
Depreciation	1,607		1,607	1,607
Total deductions	42,406	14,459	56,865	4,426
Change in Net Assets	(28,959)	(9,102)	(38,061)	55,358
Net Assets July 1	64,375	56,490	120,865	65,507
Net Assets June 30	35,416	47,388	82,804	120,865

The accompanying notes to the financial statements are an integral part of this statement.

QUINTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

In June 1999, the Governmental Accounting Standards Board (G.A.S.B.) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was required to implement the new model in the 2003/2004 school year. In addition, the School District has implemented G.A.S.B. Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

A. Reporting Entity:

The Quinton Township School District is a Type II District located in the County of Salem, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that the three member's terms expire each year. The purpose of the District is to educate students in grades K – 8.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the G.A.S.B. Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers or the organization
- the District appoints a voting majority of the organization's Board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

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

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall District except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" of revenues and expenses. These statements distinguish between governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The New Jersey Department of Education (N.J.D.O.E.) has elected to require New Jersey Districts to treat each governmental fund as a major fund in accordance with the option noted in G.A.S.B. No. 34, paragraph 76. The N.J.D.O.E. believes that the presentation of all funds as major is important for public interest and to promote consistency among District financial reporting models.

The District reports the following governmental funds:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued):

GOVERNMENTAL FUNDS

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

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

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal governments, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

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

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued):

PROPRIETARY FUNDS (CONTINUED)

Enterprise Funds – The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's operations, that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services on a continuing basis are financed or recovered primarily through user charges.

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

Internal Service Fund – The Internal Service Fund accounts for the financing of services provided by one department to other departments of the School District, or to other governments on a cost-reimbursement basis.

FIDUCIARY FUNDS

The Fiduciary Fund category is comprised of Trust and Agency Funds. Trust Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and other governments and therefore not available to support the School District's own programs. The Fiduciary Funds include Student Activity Fund, Payroll, Payroll Agency Funds, Unemployment Compensation Insurance Trust Fund and Private Purpose Trust Funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting

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

Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued):

District-wide, Proprietary, and Fiduciary Fund Financial Statements:

The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

All governmental and business-type activities and proprietary funds of the District follow Financial Accounting Standards Board (F.A.S.B.) Statements and Interpretations and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict G.A.S.B. pronouncements. The District's proprietary funds have elected not to apply the standards issued by F.A.S.B. after November 30, 1989.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and/or transfers of appropriations must be made by School Board resolution at any time during the fiscal year. All budget amendments presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets/Budgetary Control (Continued):

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

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from G.A.A.P. in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the G.A.A.P. basis does not. Sufficient supplemental records are maintained to allow for the presentation of G.A.A.P. basis financial reports.

E. Cash and cash equivalents:

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

New Jersey School Districts are limited to the types of investments and types of financial institutions they may invest in. New Jersey statute (N.J.S.A. 18A:20-37) provides a list of permissible investments that may be purchased by New Jersey School Districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of Governmental Unit Deposit Protection Act (G.U.D.P.A.). G.U.D.P.A. was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least 5% of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories:

On District-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items are recorded as expenditures under the governmental fund types when purchased. Inventories of the Enterprise Fund are expensed when used.

G. Interfund Receivables/Payables:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise Fund. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Assets, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

H. Capital Assets:

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

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

Asset Class	Estimated Useful Lives
Site Improvements	15-20
Building & Improvements	20-50
Machinery & Equipment	5-20

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued):

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

I. Accrued Salaries and Wages:

None of the School District's employees who provide services to the District over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year.

J. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted in the period in which such services are rendered or in which such events take place. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

K. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

L. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Assets:

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

N. Fund Balance Reserves:

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

O. Revenues – Exchange and Nonexchange Transactions:

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Operating Revenues and Expenses:

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

Q. Allocation of Indirect Expenses:

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

R. Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

S. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits:

New Jersey statutes (N.J.S.A. 18A:20-37) require that School Districts deposit public funds in contracted depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit funds in the State of New Jersey Cash Management Fund.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits – (Continued):

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was enacted, which temporarily raises the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. The legislation provides that the basic deposit insurance limit will return to $100,000 after December 31, 2009.

The carrying amount of the District's cash and cash equivalents at June 30, 2009, was $795,411 and the bank balance was $1,117,064. Of the bank balance, $500,000 was covered by federal depository insurance (including public and custodial funds) and $617,064 was covered by a collateral pool (G.U.D.P.A.) maintained by the bank as required by New Jersey statutes.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2009, all of the District's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Credit risk: The District does not have an investment policy regarding the management of credit risk. G.A.S.B. 40 requires that disclosure be made as to the credit rating of all securities except for obligations of the U.S. government or investments guaranteed by the U.S. government which is considered to have no credit risk.

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

Foreign currency risk: The District does not have a policy for foreign currency risk since statutes preclude Districts from investing in these types of securities.

Investments

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

a. Bonds or other obligations of the United States or obligations guaranteed by the United States.

b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than 397 days from the date of purchase.

c. Bonds or other obligations of the Township or bonds or other obligations of the Township School District.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments – (Continued):

d. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units.

e. Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.

f. Repurchase agreements (repos) of fully collateralized securities, subject to conditions, as indicated in N.J.S.A. 40A:5-15.1(a).

g. Certificates of Deposit at federally insured banks.

As of June 30, the District did not have any investments.

NOTE 3: RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental and property taxes receivable (see Exhibit B-1 and B-4). All receivables are considered collectible in full. A summary of the principal items of the intergovernmental receivables are as follows:

	Governmental Activities	Business-Type Activities
State Aid	54,532	298
Federal Aid	86,457	16,890
Other	4,000	
Township of Quinton	178,152	
	323,141	17,188

NOTE 4: INVENTORY

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

Food	2,730
Food - Commodities	3,877
Supplies	1020
	7,627

QUINTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5: CAPITAL ASSETS

Activity for capital assets capitalized by the District group is summarized below for the fiscal year ended June 30, 2009.

	July 1, 2008	Additions	Adjustments	June 30, 2009
Governmental activities:				
Capital assets not being depreciated				
Sites (Land)	8,757			8,757
Total capital assets not being depreciated	8,757			8,757
Site Improvements	170,483	25,500		195,983
Building & Building Improvements	3,871,831			3,871,831
Machinery & Equipment	820,719		24,600	796,119
Totals at historical cost	4,871,790	25,500	24,600	4,872,690
Less: Accumulated depreciation				
Site Improvements	(106,995)	(9,799)		(116,794)
Building & Building Improvements	(1,374,196)	(75,429)		(1,449,625)
Machinery & Equipment	(696,482)	(32,124)	24,600	(704,006)
Total accumulated depreciation	(2,177,673)	(117,352)	24,600	(2,270,425)
Governmental activities capital assets, net	2,694,117	(91,852)		2,602,265
Business-type activities:				
Machinery & Equipment	93,194			93,194
Less: Accumulated depreciation	(82,157)	(2,772)		(84,929)
Business-type capital assets, net	11,037	(2,772)	None	8,265
Fiduciary-type activities:				
Machinery & Equipment	8,037			8,037
Less: Accumulated depreciation	(3535)	(1,607)		(5,142)
Business-type capital assets, net	4,502	(1,607)	None	2,895

Depreciation expense was charged to the following governmental programs:

Instruction	3,175
Support Administration	21,933
Operation and Maintenance	1,973
Unallocated	90,271
Total	117,352

NOTE 6: GENERAL LONG-TERM DEBT

A. General:

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

On March 1, 2000, the District issued general obligation bonds of $2,315,000 (par value) with an interest rate of 5.7%. The bonds mature in 2021.

B. Defeasance:

On November 7, 2007, the District issued refunding school bonds in the amount of $1,705,000 with interest rates varying from 3.5% to 4.125% to advance refund bonds in the amount of $1,600,000 with a 5.7% interest rate. After paying issuance costs the net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The bonds are callable on March 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the District's financial statements. As a result of the advanced refunding, the District recognized an economic gain (difference between the present value of the debt service payments on the old and new debt) of $96,062 or 6.003%.

C. Long-term Obligation Activity:

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Compensated Absences	52,327	53,698	2,459	103,566
Special termination benefits	2,033		2,033	
Bonds payable	1,785,000		115,000	1,670,000
	1,839,360	53,698	119,492	1,773,566

D. Bonds Payable:

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

NOTE 6: GENERAL LONG-TERM DEBT (CONTINUED)

Year Ended June 30	Principal	Interest	Total
2010	120,000	66,650	186,650
2011	125,000	62,450	187,450
2012	125,000	57,763	182,763
2013	130,000	52,763	182,763
2014	135,000	47,563	182,563
2015-2019	730,000	153,825	883,825
2020-2021	305,000	18,769	323,769
	1,670,000	459,781	2,129,781

E. Bonds Authorized but Not Issued:

As of June 30, 2009, the Board has $0 of bonds authorized but not issued.

F. Other:

Interest paid on debt issued by the District is exempt from federal income tax. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage. Compensated absences are long-term obligations of the District.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on the requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2009, a liability does not exist for arbitrage rebate.

NOTE 7: PENSION PLANS

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

Teachers' Pension and Annuity Fund (T.P.A.F.) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the System's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified titles.

Public Employees' Retirement System (P.E.R.S.) - The Public Employees' Retirement System (P.E.R.S.) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is generally required as a condition of employment for most employees of the State of New Jersey or any county, municipality, School District, or public agency, provided the employee is not required to be a member of another state-administered retirement system or state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for P.E.R.S. are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for T.P.A.F. All benefits vest after eight to ten years of service, except for medical benefits that vest after twenty-five years of service. Members are eligible for retirement benefits at age sixty with an annual benefit generally determined to be the number of years of service divided by fifty-five, times the final average salary. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving twenty-five years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The T.P.A.F. and P.E.R.S. provides for specified medical benefits for members who retire after achieving twenty-five years of qualified service, as defined, or under the disability provisions of the System.

NOTE 7: PENSION PLANS (CONTINUED)

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

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

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

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 115, P.L. of 1997, and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. T.P.A.F. and P.E.R.S., provide for employee contributions of five and one half percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both T.P.A.F. and P.E.R.S. The actuarially determined contribution includes funding for both, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, all employer contributions for T.P.A.F. are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers.

During the fiscal year ended June 30, 2009, the State of New Jersey contributed $7,065 for NCGI and $134,773 for post-retirement medical on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District $168,243 during the year ended June 30, 2009 for the employer's share of social security contributions for T.P.A.F. members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with G.A.S.B. 27.

NOTE 7: PENSION PLANS (CONTINUED)

	2009	2008	2007
Gross Wages	2,837,436	2,675,491	2,510,539
Teachers' Pension and Annuity Fund			
T.P.A.F. covered wages	2,210,872	2,068,136	2,034,795
Annual Pension Cost*	141,838	246,626	274,051
Public Employees' Retirement System			
P.E.R.S. covered wages	489,708	413,381	346,375
Net Pension Obligation	31,109	21,970	14,821
Annual Pension Cost	31,109	27,463	18,526
Percentage of APC Contributed	100.00%	80.00%	60.00%
Percentage of P.E.R.S. Covered Payroll	6.35%	5.31%	4.28%

* Paid on-behalf of the District

NOTE 8: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pensions and Annuity Fund (T.P.A.F.) and the Public Employees' Retirement System (P.E.R.S.), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating twenty-five 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 (T.P.A.F.) and (P.E.R.S.). It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed, from a pre-funding basis, to a pay-as-you-go basis, beginning in fiscal year 1994, with an additional contribution beginning in fiscal year 1996 which will increase the medical reserve of half of one percent of the active State payroll.

The State made post-retirement (P.R.M.) contributions of $592.7 million for T.P.A.F. and $224.3 million for P.E.R.S. in fiscal year 2008.

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

NOTE 9: COMPENSATED ABSENCES

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. The District's policy permits Association employees to accumulate sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave if the employee has a minimum of 100 days in accordance with District's agreement with the employee union. The District uses the vesting method to record the liability.

For the District-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year. The liability for compensated absences in the governmental fund at June 30, 2009 is $$103,566.

There is not any liability for compensated absences in the proprietary fund.

NOTE 10: DEFERRED COMPENSATION

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

ING	Lincoln Investment Planning, Inc.
MetLife	AUSA aka Diversified Investment Advisors
	Thomas Seeley "The Legend Group"

NOTE 11: RISK MANAGEMENT

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

Property and Liability Insurance:
The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Exhibit J-20) of this Comprehensive Annual Financial Report. Any potential liability of the District with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed coverage limits. There have not been any significant reductions in insurance coverage amounts.

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

Fiscal Year	Interest Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2008-2009	321	5,037	14,459	47,388
2007-2008	1,404	4,630	868	56,490
2006-2007	2,101	4,432	3,047	5,124

NOTE 12: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board of Education by inclusion of $1,000 in the 2000/2001 budget for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (L.R.F.P.). Upon submission of the L.R.F.P. to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the

NOTE 12: CAPITAL RESERVE ACCOUNT (CONTINUED)

account cannot at any time exceed the local support costs of uncompleted capital projects in its approved L.R.F.P.

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

Beginning balance July 1, 2008	39,574
Interest Earnings	246
Deposits -	
Board resolution June 30, 2009	301,542
Ending balance, June 30, 2009	341,362

The June 30, 2009 L.R.F.P. balance of local support costs of uncompleted capital projects at June 30, 2009 is $1,833,200.

NOTE 13: FUND BALANCE APPROPRIATED

General Fund Exhibit B-1 - Of the $1,323,625 fund balance at June 30, 2009, $13,028 is reserved for encumbrances; $459,752 is reserved as excess surplus in accordance with N.J.S.A. 18A;7F-7; ($288,706 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2010); $2,353 has been appropriated and also included as anticipated revenue for the year ending June 30, 2009; $341,362 has been reserved in the Capital reserve account, $250,0000 has been reserved as current expense emergency; and $257,130 is unreserved and undesignated.

Debt Service Fund - The fund balance at June 30, 2009 was $6,508.

NOTE 14: 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 (C.E.I.F.A). New Jersey School Districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2009 is $459,752.

NOTE 15: OPERATING LEASES

The District has commitments to lease a postage machine under non-cancelable operating leases spanning five years. Total lease payments made during the year ended June 30, 2009 amounted to $588. Future minimum lease payments are as follows:

Year Ended June 30	Amount
2010	588
2011	588
2012	588
2013	294
	2,058

NOTE 16: DEFICIT FUND BALANCES

The District has a deficit fund balance of $46,430 in the General Fund and $8,806 in the Special Revenue Fund as of June 30, 2009 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for School Districts to recognize this revenue in the current budget year. For intergovernmental transactions, G.A.S.B. Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the state is recording the June state aid payments in the subsequent fiscal year, the School District can not recognize the June state aid payments on the G.A.A.P. financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the General and Special Revenue Fund balance deficit does not alone indicate that the District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the G.A.A.P. funds statements of $46,430 in the General Fund and $14,157 in the Special Revenue Fund is less than or equal to June last state aid payments.

NOTE 17: CONTINGENT LIABILITIES

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

It is the opinion of the administration and legal counsels, there exists no litigation or contingent liability that may be pending against the Quinton Township School District that would have a material or adverse effect on the Board or the financial position of the District.

APPENDIX C

Form of Approving Legal Opinion

MCMANIMON & SCOTLAND, L.L.C.

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The Board of Education of the
Township of Quinton in the
County of Salem, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Township of Quinton in the County of Salem, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of $1,821,000 School Bonds, dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to Title l8A, Education, of the New Jersey Statutes and a proposal of the Board of Education adopted October 22, 2009 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held December 8, 2009. 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,