

**NEW ISSUE
SERIAL BONDS****RATING: Standard & Poor's:**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Board of Education, assuming compliance by the Board of Education with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor is it included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.

\$17,350,000**SCHOOL BONDS**

**THE BOARD OF EDUCATION OF THE
BOROUGH OF LEONIA, IN THE
COUNTY OF BERGEN, NEW JERSEY
(Book-Entry Only) (Bank-Qualified)
(Callable)**

Dated: July 15, 2010**Due: July 15, as shown below**

The School Bonds (the "Bonds") of The Board of Education of the Borough of Leonia, in the County of Bergen, New Jersey (the "Board of Education" or "School District"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "BOOK-ENTRY ONLY SYSTEM" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on July 15 of each of the years set forth below, and interest on the Bonds is payable on each January 15 and July 15, commencing January 15, 2011, in each year until maturity or prior redemption.

The Bonds are subject to redemption prior to their stated maturities at the prices, at the times and in the manner described herein. See "PRIOR REDEMPTION" herein.

The Bonds are general obligations of the Board of Education and are secured by a pledge of the full faith and credit of the Board of Education for the payment of the principal thereof and the interest thereon, and unless paid from other sources, the Bonds and the interest thereon are payable from *ad valorem* taxes levied upon all the taxable real property within the School District, without limitation as to rate or amount. The Bonds are also secured under the provisions of the New Jersey School Bond Reserve Act, P.L.1980, c. 72, as amended.

MATURITY SCHEDULE, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2011	\$100,000	%	%	2021	\$ 920,000	%	%
2012	315,000			2022	960,000		
2013	500,000			2023	1,005,000		
2014	550,000			2024	1,050,000		
2015	580,000			2025	1,100,000		
2016	625,000			2026	1,150,000		
2017	770,000			2027	1,205,000		
2018	810,000			2028	1,260,000		
2019	850,000			2029	1,320,000		
2020	900,000			2030	1,380,000		

(plus accrued interest from July 15, 2010)

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about July 28, 2010.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 A.M. ON JULY 15, 2010
IN THE BOARD CONFERENCE ROOM
AT THE LEONIA BOARD OF EDUCATION
570 GRAND AVENUE
LEONIA, NEW JERSEY 07605**

**THE BOARD OF EDUCATION OF THE BOROUGH OF LEONIA
IN THE COUNTY OF BERGEN, NEW JERSEY**

Roster of Officials

MEMBERS OF THE BOARD OF EDUCATION

Jeffrey S. McCartney, President
Patricia C. Fromholtz, Vice President
Shelley Perino
Thomas Quinton, Edgewater Representative
Douglas D. Chung
Umit N. Kenis
John Kendrick
Paul B. King
Ik-Seong Pak
S. Abraham Ravid

SCHOOL OFFICIALS

Superintendent of Schools
Dr. Bernard A. Josefsberg

Assistant Superintendent of Schools
Joanne Megargee

Business Administrator/Board Secretary
Louis P. Mondello

Custodian of School Monies
Antoinette Kelly

ADVISORS AND CONSULTANTS

Board Auditor
Di Maria & Di Maria LLP
Lodi, New Jersey

Counsel to the Board
Fogarty & Hara
Fair Lawn, New Jersey

Bond Counsel
Rogut McCarthy LLC
Cranford, New Jersey

Financial Advisor
Phoenix Advisors, LLC
Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Board to give any information or to make any representations, with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Board. The information contained herein has been provided by the Board and other sources deemed reliable by the Board; however, no representation or warranty is made as to its accuracy or completeness, and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself by the Board. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sales hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given if earlier.

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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OFFICIAL STATEMENT

of

THE BOARD OF EDUCATION OF THE BOROUGH OF LEONIA IN THE COUNTY OF BERGEN, NEW JERSEY

\$17,350,000 SCHOOL BONDS

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page hereof and the Appendices attached hereto, is furnished by The Board of Education of the Borough of Leonia (the "Board" when referring to the governing body and the "School District" when referring to the geographical area governed thereby), in the County of Bergen (the "County"), a public body corporate and public school district of the State of New Jersey (the "State"), to provide certain information in connection with the sale and issuance of its \$17,350,000 School Bonds dated July 15, 2010 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary.

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the successful bidder for the Bonds, and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds shall be dated July 15, 2010, and shall mature on July 15 in the years and in the principal amounts as set forth below. Interest on the Bonds is payable semi-annually commencing on January 15, 2011, and thereafter on each January 15 and July 15 (each, an "Interest Payment Date"), until maturity or prior redemption at the respective interest rates set forth on the cover page hereof. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), by the Business Administrator/Board Secretary, acting as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the last business day of the month preceding the month in which such Interest Payment Date occurs (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Investors may purchase beneficial interests in the Bonds in the denomination of \$5,000 each or any integral multiples thereof. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. Disbursement of such payments to the beneficial owners is the responsibility of the DTC participants. See "Book-Entry Only System" herein.

Maturity Schedule

Year	Amount
2011	\$ 100,000
2012	315,000
2013	500,000
2014	550,000
2015	580,000
2016	625,000
2017	770,000
2018	810,000
2019	850,000
2020	900,000
2021	920,000
2022	960,000
2023	1,005,000
2024	1,050,000
2025	1,100,000
2026	1,150,000
2027	1,205,000
2028	1,260,000
2029	1,320,000
2030	1,380,000
	<u>\$ 17,350,000</u>

THE BONDS (Continued)

Redemption Provisions

The Bonds maturing on or before July 15, 2020 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after July 15, 2021 are subject to redemption at the option of the Board prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after July 15, 2020, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Board determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Board, and within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such bond of \$5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption, and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is a part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bonds not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

Book-Entry Only System

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 year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

THE BONDS (Continued)

Book-Entry Only System (Continued)

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, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

THE BONDS (Continued)

Book-Entry Only System (Continued)

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Board or the paying agent, if any. 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-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

SECURITY FOR THE BONDS

General

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. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Board is subject to applicable provisions of Federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of payment of the Bonds insofar as any such may be constitutionally applied. Under State law, a county, municipality, school district or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board (as hereinafter defined).

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

All school bonds are secured by the School Bond Reserve established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A: 56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The 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.

SECURITY FOR THE BONDS (continued)

School Bond Reserve Act (continued)

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.

There have not been any required withdrawals from the School Bond Reserve since its establishment. The School Bond Reserve Act does not contain a covenant by the State to refrain from repealing, revoking, rescinding, modifying or amending the provisions of such Act.

AUTHORIZATION AND PURPOSE OF THE BONDS; STATE DEBT SERVICE AID

The Bonds are authorized and are issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes. The Bonds have also been authorized and issued pursuant to (i) a proposal adopted by the Board on July 30, 2009, and approved by the affirmative vote of a majority of the legally qualified voters present and voting at a special School District election held on September 29, 2009, and (ii) a resolution adopted by the Board on June 15, 2010 setting forth the terms of the offering and sale of the Bonds.

On June 9, 2010, the Board received approval from the Local Finance Board (the "Local Finance Board") in the Division of Local Government Services in the New Jersey Department of Community Affairs to issue the Bonds with a maturity schedule that does not conform with N.J.S.A. 18A:24-6. Such statute requires that no annual principal installment exceed by more than 100% the amount of the smallest prior installment. The Local Finance Board permitted the Board to use a maturity schedule with low principal installments in the early years in order to levelize the Board's total outstanding debt service over the life of the Bonds.

The proceeds of the Bonds will be used to finance roof replacements, HVAC upgrades and installation of photovoltaic solar panels to the Anna C. Scott Elementary School, Leonia Middle School and Leonia High School (the "Project"). The total cost of the Project, \$17,350,000, will be funded through the issuance of the Bonds. The State of New Jersey (the "State") has approved State aid to the Board in an amount equal to 40% of the total Project costs. The Board will receive such aid in the form of annual "debt service aid" in the amount of 40% of the total debt service on the Bonds. State debt service aid is subject to annual appropriation by the State Legislature. SEE "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

NO DEFAULT

The Board has never defaulted in the payment of any bonds or notes, nor are any payments of principal of or interest on the Board's indebtedness past due.

MARKET PROTECTION

The Board does not expect to issue any additional bonds or school promissory notes during the remainder of 2010. The Board does not anticipate conducting any bond referendums for the next several years.

THE SCHOOL DISTRICT AND THE BOARD

The Leonia Board of Education is a ten (10) member board with members elected for staggered three (3) year terms. One member is from the Borough of Edgewater, which sends high school students to the School District. Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary.

The Leonia School District is a Type II school district without a board of school estimate and provides a full range of educational services appropriate to kindergarten (K) through grade twelve (12), including regular and special education programs. The School District is conterminous with the boundaries of the Borough of Leonia (the "Borough"), in the County of Bergen. The School District provides education to its students through one (1) elementary school, one (1) middle school, and one (1) high school.

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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, to acquire land and other property and to decide appeals from decisions of the Commissioner (as hereinafter defined) on matters of school law or State Board regulations.

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.

A County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Commissioner with the approval of the State Board. The County Superintendent is the local representative of 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.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

1. Type I, in which the mayor or chief executive officer ("CEO") of a municipality appoints the members of a board of education and a board of school estimate, which board of school estimate consists of two (2) members of the board of education and 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 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; and
6. County special service 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 s 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.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY (Continued)

Categories of School Districts (Continued)

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 without a board of school estimate.

School Budget 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 if such certified budget is less than or equal to the maximum thorough and efficient education budget (the "T&E budget") and may appeal to the Commissioner if such certified budget amount is in excess of the maximum T&E budget. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" HEREIN.

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.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT (Continued)

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 (as 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 limitations 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 (the "QEA") (now repealed), also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, J.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "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. The 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 either 2.5% or the consumer price index, whichever is greater. Amendments to the CEIFA lowered the budget cap to 2.5% from 3%. Budgets can also increase because of certain adjustments for enrollment increases, certain capital outlay expenditure, 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. Parts of the CEIFA have been found to be unconstitutional. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT (Continued)

Tax and Spending Limitations (Continued)

P.L. 2007, c. 62, effective April 3, 2007 (the "New Cap Law"), further provides 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 year's tax levy. See "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein. The New Cap Law provides for certain adjustments to the tax levy cap for specific circumstances relating to enrollment increase, reductions in State aid, health care cost increases and for certain other extraordinary cost increases that must be approved by the Commissioner.

Although the New Cap Law allows for certain adjustments to the tax levy cap, 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 the fiscal year 2009 through 2012.

The New Cap Law 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 the CEIFA, as amended by P.L. 2004, c. 73, effective July 1, 2004. However, the New Cap Law is in effect only through fiscal year 2012 and would have to be extended by legislation if it is to continue. Otherwise, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service on bonds, such as the Bonds, is not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by the New Cap Law.

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 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.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT (Continued)

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.

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for improvements of school buildings. Generally, lease purchase agreements cannot exceed five years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, 2000 N.J. Laws 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. Under CEIFA, lease purchase payments on leases in excess of five years issued under prior law, 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 on the General Fund.

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 through grade twelve (12) school district, the School District can borrow up to 4% of the average equalized valuation of taxable property in the School District. As of December 31, 2009, the School District's debt as a percentage of average equalized valuation was 2.19%. The School district has not exceeded its 4% debt limit. See "APPENDIX A - Debt Limit of the School District."

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT (Continued)

Exceptions to School Debt Limitation (N.J.S.A. 18A:24-20 and 18A:24-23)

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 Borough'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.

Investment of School Funds

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Board has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

General

In 1973, the Supreme Court of the State of New Jersey (the "Court") ruled in *Robinson v. Cahill* that the existing method of financing school costs 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., 1975 N.J. Laws c.212 (the "Public School Education Act") (as amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented, enacted for the purpose of providing property tax relief.

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

The Legislative response to *Abbott v. Burke* was the passage of the Quality Education Act of 1990 , N.J.S.A. 18A:7D-1 et seq., 1990 N.J. Laws c. 52 ("QEA") (now repealed). The QEA established a new formula for the distribution of State aid for public education, beginning with the 1991-92 fiscal year. The QEA provided a formula that took into account property values and personal income to determine a school district's capacity to raise money for public education. A budgetary limitation, or "CAP" on expenditures, was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

On July 12, 1994, the Court declared the school aid formula under QEA unconstitutional on several grounds as it was applied to the 28 special needs school districts (the "Abbott Districts") in the ongoing litigation commonly known as *Abbott v. Burke II*. No specific remediation was ordered, but the Court ultimately held that the State Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that any new formula would be implemented during the 1997-98 fiscal period and thereafter.

In keeping with the Court's deadline, the Governor signed into law on December 20, 1996 the Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., 1996 N.J. Laws c. 138 (CEIFA). CEIFA departed from other funding formulas adopted in the State by defining what constitutes a 'thorough and efficient ' education, which is what the Constitution of the State of New Jersey requires every public school student to receive. CEIFA further established the costs to provide each student with an education that is "thorough and efficient."

SUMMARY OF STATE AID TO SCHOOL DISTRICTS (Continued)

General (Continued)

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

On May 14, 1997, the Court held that CEIFA was unconstitutional as applied to the Abbott Districts because (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. The Court recognized the Core Curriculum Content Standards as a valid means of identifying what is a "thorough and efficient" education under the State constitution, but found that the State did not adequately determine or provide the adequate funding level to allow those standards to be met in the Abbott Districts. CEIFA was not held unconstitutional as applied to the non-special needs districts. The School District is not a special needs district. To bridge the gap between Abbott Districts and non-special needs districts, the Court ordered the parity remedy, designed as an interim remedy whereby the State would provide parity aid and supplemental funding to Abbott Districts. The CEIFA has not been used to calculate State aid for public schools since the 2001-02 school year.

Pursuant to the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), which became law on July 18, 2000, the State provides aid to school facilities projects. Under the EFCFA, the State provides 100% State funding for school facilities projects undertaken by Abbott Districts; for non-Abbott Districts, the State provides aid in an amount equal to the greater of the district aid percentage or forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid is established prior to the authorization of the project.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS (Continued)

The School Funding Reform Act of 2008

The School Funding Reform Act of 2008 (the "SFRA") as signed into law in January 2008 and is a five-year product of the State's latest effort to craft a redesigned school funding formula that satisfies the constitutional standard. While the SFRA maintains the Core Curriculum Content Standards established by the CEIFA, it repeals the provisions of the CEIFA which established State Aid formulas for programs to support the Core Curriculum Content Standards and has established new formulas. Essentially, the SFRA provides State aid to school districts while also requiring certain levels of local funding. It is a weighted school funding formula which identifies a base cost associated with the education of an elementary pupil without any particular special needs. Once the per-pupil amount is identified, the amount is increased to reflect factors that increase the cost of education, such as (i) grade level, and whether the pupil is (ii) an at-risk pupil (eligible for free or reduced-price lunch), (iii) a Limited English Proficiency ("LEP") pupil, or (iv) a special education student of mild, moderate or severe classification.

The formula is further comprised of several funding mechanisms, the central component being the Adequacy Budget, a wealth equalized budget based on the school district's ability to provide funding through local resources. The Adequacy Report establishes the base pupil cost necessary to provide the thorough and efficient education for an elementary student. Such amount will be adjusted to reflect the differing cost of education a student at the middle and high school levels and various other factors as set forth in the SFRA. Based upon the school district's property and personal income wealth, a local share of such adequacy budget is determined. State aid will be provided for that portion of the adequacy budget which cannot be supported locally. The SFRA guarantees a minimum two percent (2%) increase in State aid for each school district.

The Department of Education must provide an Adequacy Report every three (3) years addressing the weighted factors that comprise the Adequacy Budget and the various additional components of the SFRA: equalization aid, categorical aid, preschool aid, extraordinary aid, adjustment aid and education adequacy aid. Under the SFRA, the base per pupil amount for 2008-2009 was \$9,649 and will be adjusted by the Consumer Price Index ("CPI") for the next two years (2009-10 and 2010-11).

The constitutionality of the SFRA was challenged and was held to be constitutional by the Court on May 28, 2009.

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 Improving America's Schools Act of 1994 (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 Title I Aid. Federal aid is generally received in the form of block grants.

MUNICIPAL FINANCE FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N.J.S.A. 40A:21 et seq.)

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The average for the last three years, of the equalized value of all taxable real property and improvements and certain class II railroad property within the boundaries of the Borough, as annually determined by the State Board of Taxation is \$1,548,042,143.

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

The Borough has not exceeded its statutory debt limit. As of December 31, 2009, the statutory net debt as a percentage of average equalized valuation was .61%. As noted above, the statutory limit is 3-1/2%.

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

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

MUNICIPAL FINANCE
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES
(Continued)

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

The foundation of the New Jersey local finance system is the annual cash basis budget. The Borough, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division ("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.

MUNICIPAL FINANCE
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES
(Continued)

The Local Budget Law (continued)

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 year's tax levy in years when the Index Rate is 2.5% or less.

MUNICIPAL FINANCE
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES
(Continued)

The Local Budget Law (continued)

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 approved 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 Borough to levy ad valorem taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

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

MUNICIPAL FINANCE
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES
(Continued)

Tax Assessment and Collection Procedure

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

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

Tax bills are mailed annually in June by the Borough'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.

MUNICIPAL FINANCE
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES
(Continued)

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the Bergen 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 County appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations, or with the permission of the Local Finance Board may be financed, generally over a three to five year period.

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 Di Maria & Di Maria LLP, Lodi, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. See "APPENDIX B - Board of Education of the Borough of Leonia Financial Statements Year Ended June 30, 2009".

STATEMENT OF LITIGATION

There is at present no single action pending or threatened against the Board which would impose an undue financial burden on the Board. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Board is a party-defendant in certain lawsuits, none of a kind unusual for a school district of its size, and none of which, in the opinion of the Board Attorney, would materially and substantially impair the Board's ability to pay its bondholders. All of the Board's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members).

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Board with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Board has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Board’s Tax Certificate (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Board, in executing the Tax Certificate, will certify to the effect that the Board expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

Tax Opinions

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Board, assuming compliance by the Board with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor is it included in “adjusted current earnings” for purposes of computing the alternative minimum tax that may be imposed on corporations. For other Federal tax information, see “TAX MATTERS - Additional Federal Income Tax Consequences” herein.

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

TAX MATTERS (Continued)

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Board has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code and has represented that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$30,000,000 of tax-exempt obligations during the current calendar year.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Board shall furnish a certificate of the Board Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Board wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Board or adversely affect the power of the Board to enforce the collection of taxes or other revenues for the payment of its bonds, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Board, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.
2. The Board has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Bonds and the interest thereon are payable from ad valorem taxes levied on all taxable real property in the School District, without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See "Appendix D – Proposed Form of Bond Counsel Opinion" herein.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS (Continued)

Certificates of Board Officials

The original purchaser of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Business Administrator/Board Secretary certifying that (a) as of the date of the Official Statement furnished by the Board in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Board is not guaranteed as to accuracy, completeness or fairness, such officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, since the date of said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Board and no material adverse change in the general affairs of the Board or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Bonds. In addition, the original purchaser of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Board, nor the title of the said officers to their respective offices, is being contested.

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.

PREPARATION OF OFFICIAL STATEMENT

The Board Auditor has participated in the preparation of this Official Statement on behalf of the Board and takes responsibility for the audited financial statements to the extent specified in the Independent Auditor's Report.

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.

FINANCIAL ADVISOR

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

RATING

The Board has applied for a rating on the Bonds from Standard & Poor's Financial Services, LLC, a subsidiary of the McGraw Hill Companies, Inc. ("Standard & Poor's").

An explanation of the significance of such credit rating may be obtained from Standard & Poor's at 55 Water Street, New York, New York 10041. The Board furnished Standard & Poor's with certain information and materials concerning the Bonds and the Board. Generally, Standard & Poor's bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The rating is not a recommendation to buy, sell or hold the Bonds and there can be no assurance that such rating will be maintained for any given period of time or that such rating may not be raised, lowered or withdrawn entirely if, in Standard & Poor's 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.

UNDERWRITING

The Bonds have been purchased at public sale from the Board for resale by the following purchasers (the "Underwriters").

SECONDARY MARKET DISCLOSURE

The Board has agreed, pursuant to a resolution adopted on June 15, 2009 to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12. Specifically, the Board will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

- (A) Not later than six months after the end of the Board's fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2010, provide or cause to be provided to Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB, annual financial information with respect to the Board consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Board and (ii) certain financial information and operating data consisting of (a) the Board's debt and overlapping indebtedness, including a schedule of outstanding debt issued by the Board, (b) the Board's most recent adopted budget, (c) property valuation information, and (d) 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 in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.
- (B) Provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:
 - (1) Principal or 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 Bonds;
 - (7) Modifications to the rights of Bondholders;
 - (8) Bond calls;
 - (9) Defeasances;
 - (10) Release, substitution or sale of property which secures the repayment of the Bonds; and
 - (11) Rating changes.
- (C) Provide or cause to be provided, in a timely manner, to the MSRB notice of a failure of the Board to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECONDARY MARKET DISCLOSURE (Continued)

If the Board fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Board for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Board reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Board no longer remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

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, a change in law or a change in identity, nature, type of operation or status of the Board, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel's opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Board previously failed to provide required annual financial information for the year ending June 30, 2009. The Board has since filed the required financial information, along with a notice of such prior failure. The Board intends to make timely filings in the future.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Borough Council will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the original purchaser of the Bonds for its use in the sale, resale or distribution of the Bonds.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Louis P. Mondello, Business Administrator/Board Secretary, Leonia Board of Education, 570 Grand Avenue, Leonia, New Jersey 07605, telephone (201) 302-5200 extension 1204.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or an agreement between the Board and any 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 have been no changes in the affairs of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

THE BOARD OF EDUCATION
OF THE BOROUGH OF LEONIA
COUNTY OF BERGEN, NEW JERSEY

By: /s/
Louis P. Mondello
Board Administrator/Board Secretary

Dated: _____, 2010

APPENDIX A

**BOARD OF EDUCATION OF
THE BOROUGH OF LEONIA**

DESCRIPTION AND GENERAL INFORMATION

THE SCHOOL DISTRICT

General

The School District is a Type II School district pursuant to Title 18A of the New Jersey Statutes (N.J.S.A 18A:1-1 et. seq.), and is an independent legal entity administered by a ten member Board of Education elected by the voters of the School District. The School District is authorized by law to issue debt for school purposed upon vote of the electorate.

The School District presently supports the following regular programs in its three school facilities:

Pre-K/Kindergarten (Anna C. Scott School)
Grades 1 through 5 (Anna C. Scott School)
Grades 6 through 8 (Leonia Middle School)
Grades 9 through 12 (Leonia High School)

Special Education: Learning and/or Language Disabilities, Autism, Emotionally Fragile, Multiple Disabilities

Resident classified students requiring placement in categorical programs attend out-of-district facilities on tuition paid basis.

Students in pre-kindergarten thorough grade 5 are instructed in self-contained classes. Students in grades 6 through 12 are departmentalized. The core curriculum includes health, language, arts, mathematics, reading, science, and social studies. Students also attend technology, library, vocal music, world language and physical education classes.

Additional programs available include a Gifted and Talented Program and a Basic Skills Improvement Program. The district employs 3 full-time School Nurses, 5 Speech/Language Specialists and a Child Study Team.

The Board, which operates on a fiscal year, July 1 to June 30, adopts its own budget. At the annual school election held in April, the people vote upon the amounts to be raised by taxation for current expenses and capital outlays. If the amounts are approved, the Secretary of the Board certifies such amounts plus the sums required for debt service to the Bergen County Board of Taxation, and it sets the tax rate accordingly. If the amounts on the ballot are not approved, the budget is submitted to the governing body of the Borough which must determine the amount to be appropriated for each item in the budget. If the budget is not acted upon by the Borough within the time specified by law or if the Board appeals any reduction made by the Borough, the Commissioner of Education of the State of New Jersey (the "Commissioner of Education") is required to determine the amount necessary and to certify such amount to the Bergen County Board of Taxation for inclusion in the taxes to be assessed, levied and collected in the Borough.

The School District, upon approval of the voters, may authorize school district debt. The School District has a statutory debt limit equal to 4% of the average equalized valuation of taxable property within the School District. It may exceed this limit and utilize available borrowing capacity of the Borough. If such debt will exceed the School District debt limit and the remaining borrowing capacity of the Borough, the Commissioner of Education of the State of New Jersey (the "Commissioner of Education"), and the Local Finance Board in the Division of Local Government Services of the State Department of Community Affairs (the "Local Finance Board") must approve the proposed authorization before it is submitted to the voters. The School District is within its debt limit.

Student Enrollments (As of October 15)

<u>School Year</u>	<u>Enrollment</u>
2009-2010	1,788
2008-2009	1,759
2007-2008	1,722
2006-2007	1,750
2005-2006	1,750
2004-2005	1,761
2003-2004	1,794
2002-2003	1,769
2001-2002	1,755
2000-2001	1,738
1999-2000	1,695
1998-1999	1,662
1997-1998	1,660

THE SCHOOL DISTRICT (Continued)

General, Special Revenue, and Debt Service Fund Approved Budgets

	June 30, 2011	June 30, 2010
<u>REVENUES</u>		
Fund Balance Appropriated	\$ 509,165	\$ 693,226
State Aid	2,817,826	4,117,240
Federal Aid	425,152	420,891
District Taxes	18,441,910	17,080,859
Tuition	5,927,500	5,339,360
Miscellaneous	62,607	165,610
Prior Year Encumbrances	-	-
	<u>28,184,160</u>	<u>27,817,186</u>
<u>APPROPRIATIONS</u>		
Current Expense		
Instruction:		
Regular Programs	\$ 8,668,794	\$ 9,085,488
Special Education	2,059,309	1,919,732
Basic Skills - Remedial Instruction	352,770	361,979
Bilingual Education	309,991	241,800
School Sponsored Cocurricular Activities	160,130	149,932
Other Instructional Programs	406,587	395,000
Community Service Programs/Operations	15,000	14,000
Undistributed Expenditures		
Instruction	868,865	1,010,000
Attendance and Social Work	158,000	13,524
Health Services	271,644	226,500
Support Services Students - Related Services	520,000	460,200
Support Services Students - Extraordinary Services	98,500	63,000
Support Services Students - Regular (Guidance)	502,787	483,174
Support Services Students - Special (Child Study Teams)	655,483	604,148
Improvement of Instructional Services	178,370	164,476
Educational Media Services/School Library	294,400	360,500
Instructional Staff Training Services	75,000	82,000
General Administration	706,519	686,534
School Administration	1,727,909	1,515,042
Central Services	380,117	416,966
Administration Information Technology	50,583	91,984
Required Maintenance for School Facilities	530,000	801,701
Operations of Plant Services	1,519,750	1,830,828
Student Transportation Services	438,700	432,520
Unallocated Employee Benefits	4,295,652	3,929,000
Capital Outlay:		
Increase in Capital Reserve	100,000	-
Interest Deposit to Capital Reserve	500	-
Equipment	-	-
Facilities Acquisition and Construction Services	173,883	350,000
Debt Service:		
Interest on Bonds	1,218,108	765,335
Redemption of Principal	845,000	760,000
Operating Transfers	99,061	90,000
Special Revenue Fund	502,748	511,823
Total Governmental Fund Expenditures	<u>28,184,160</u>	<u>27,817,186</u>
	-	-

THE SCHOOL DISTRICT (Continued)

Labor Relations

The Board currently has a contract with the Education Association of Leonia, which represents approximately 250 employees of the School District. The contract will be in effect until June 30, 2011. Other contracts include Leonia Association of School Service Personnel (Custodians) expiring June 30, 2012, and Leonia Administrators and Supervisors Association (Principals, Vice-Principals, Supervisors and Directors), which expired on June 30, 2010 and is currently under negotiation.

Pensions

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

Fiscal 2011 Budget

The Board must submit its budget for voter approval. Annual increases in its net budget are limited by law. The net budget is the sum of all state aid (exclusive of pension aid), the School District fund balance, miscellaneous revenues and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2010-2011 fiscal year is \$25,618,304. The major sources of revenue are \$16,469,998 from the local tax levy, \$5,927,500 from tuition, \$2,707,840 from various State aid programs and \$507,466 from surplus. The major categories of expenditure are \$8,668,794 for regular instruction, \$2,412,079 for special education instruction, and \$13,362,279 for support services which includes guidance, child study team, improvement of instruction, attendance, health services, transportation, tuition to other districts, general administration costs, employee benefits and operation and maintenance of the school facilities. The State budget for fiscal year 2010-2011 reduced State aid to school districts by over \$800 million. The Leonia Board's aid was reduced by \$1,245,000.

Budget History

The Board must submit its budget for voter approval. The voters have approved the last five budgets. Defeated budgets would be nominally adjusted in consultation with the Borough and/or the State Commissioner of Education.

<u>Budget Year</u>	<u>Tax Levy</u>	<u>Outcome</u>
2010-2011	\$ 16,469,998	Passed
2009-2010	\$ 15,836,537	Passed
2008-2009	\$ 15,377,440	Passed
2007-2008	\$ 14,863,000	Passed
2006-2007	\$ 14,333,093	Passed

THE SCHOOL DISTRICT (Continued)

Debt Limit of the School District

The debt limitations of the School District are established by statute (N.J.S.A. 18A:24-19). The School District is permitted to incur debt up to 4% of the average equalized valuation of its constituent municipality before requiring approval by State regulatory authorities. The following is a summary of the School District's available borrowing power as of December 31, 2009:

Average of Equalized Valuations for Previous 3 Years	\$ 1,536,980,190
Permitted Debt Limitation (4%)	\$ 61,479,208
Less: Gross School Debt	33,700,000
Excess Borrowing Power	\$ 27,779,208
Percentage of Gross Debt to Average Equalized Valuation	2.19%

The District has outstanding and Proposed bonds payable at June 30, 2010 as follows:

Issue	Amount Outstanding June 30, 2009	Proposed Current Year	Retired Current Year	Amount Outstanding June 30, 2010
8/15/03 Various Improvements - \$12,459,000	\$ 11,790,000	\$ -	\$ (400,000)	\$ 11,390,000
8/1/01 Various Improvements - \$4,005,000	3,045,000	-	(175,000)	2,870,000
02/15/06 School Refunding Bonds - \$2,815,000	2,275,000	-	(185,000)	2,090,000
07/15/10 School Bonds (Proposed)	-	17,350,000	-	17,350,000
	<u>\$ 17,110,000</u>	<u>\$ 17,350,000</u>	<u>\$ (760,000)</u>	<u>\$ 33,700,000</u>

Commissioner Approved Lease Purchase Agreements

As of June 30, 2009, the School District had no capital leases outstanding.

Early Retirement Incentive Program

The School District does not participate in the Early Retirement Incentive Program.

APPENDIX B

**BOARD OF EDUCATION OF
THE BOROUGH OF LEONIA**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

245 Union Street
Leonora, New Jersey 07644
Voice 973.779.6890
Facsimile 973.779.6891
www.dimariaanddimaria.com

Independent Auditors' Report

The Honorable President and Members of the Board of Education
Leonora School District County of Bergen, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Education of the Leonora School District, in the County of Bergen, 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 Leonora Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Leonora Board of Education, in the County of Bergen, 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.

Independent Auditors' Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009 on our consideration of the Leonia Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 13 through 15 and 56 through 86 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leonia 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.

Independent Auditors' Report (Continued)

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

DI MARIA & DI MARIA LLP
Public Accountants and Consultants

Frank R. Di Maria

Frank R. Di Maria
Licensed Public School Accountant
PSA No. CS 01168

November 5, 2009

**LEONIA SCHOOL DISTRICT
COMPARATIVE STATEMENT OF NET ASSETS**

	Governmental Activities	Business-Type Activities	Total 2009	2008
<u>ASSETS</u>				
Cash	\$ 1,629,235	\$ 83,030	\$ 1,712,265	\$ 1,873,492
Receivables, (Net)	318,256	22,810	341,066	363,809
Inventory	-	-	-	-
Capital Assets, (Net)	23,132,890	324,204	23,457,094	23,877,951
Total Assets	<u>\$ 25,080,381</u>	<u>\$ 430,044</u>	<u>\$ 25,510,425</u>	<u>\$ 26,115,252</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 41,693	\$ -	\$ 41,693	\$ 429,820
Deferred Revenue	153,171	-	153,171	16,646
Non-Current Liabilities:				
Due Within One Year	760,000	-	760,000	714,000
Due Beyond One Year	16,631,943	114,274	16,746,217	17,694,753
Total liabilities	<u>\$ 17,586,807</u>	<u>\$ 114,274</u>	<u>\$ 17,701,081</u>	<u>\$ 18,855,219</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 6,022,890	\$ 209,930	\$ 6,232,820	\$ 5,789,420
Restricted for:				
Debt Service	2,385	-	2,385	270,629
Capital Projects	353,893	-	353,893	499,297
Unrestricted	1,114,406	105,840	1,220,246	700,687
Total Net Assets	<u>\$ 7,493,574</u>	<u>\$ 315,770</u>	<u>\$ 7,809,344</u>	<u>\$ 7,260,033</u>

LEONIA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

Functions/Programs	Program Expenses				Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Budgetary Basis	Adjustments	Depreciation	Total	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Total	Governmental Activities	Business-type Activities	Total
Governmental Activities:											
Current Expense:											
Instruction:											
Regular Programs - Instruction	\$ 8,605,816	\$ -	-	\$ 8,605,816	\$ 5,414,143	283,034	\$ -	\$ 5,697,177	\$ (2,908,639)	\$ -	\$ (2,908,639)
Special Education - Instruction	2,060,252	-	-	2,060,252	-	932,935	-	932,935	(1,127,317)	-	(1,127,317)
Basic Skills - Remedial Instruction	337,247	-	-	337,247	-	-	-	-	(337,247)	-	(337,247)
Bilingual Education - Instruction	224,286	-	-	224,286	-	-	-	-	(224,286)	-	(224,286)
School Sponsored Cocurricular Activities - Instruction	181,782	-	-	181,782	-	-	-	-	(181,782)	-	(181,782)
School Sponsored Athletics - Instruction	330,545	-	-	330,545	-	-	-	-	(330,545)	-	(330,545)
Community Service Programs	13,150	-	-	13,150	-	-	-	-	(13,150)	-	(13,150)
Undistributed Expenditures:											
Instruction	842,705	-	-	842,705	-	-	-	-	(842,705)	-	(842,705)
Attendance and Social Work Services	19,037	-	-	19,037	-	-	-	-	(19,037)	-	(19,037)
Health Services	211,868	-	-	211,868	-	-	-	-	(211,868)	-	(211,868)
Other Support Services - Students Related Services	392,287	-	-	392,287	-	-	-	-	(392,287)	-	(392,287)
Other Support Services - Students Extraordinary Services	78,019	-	-	78,019	-	-	-	-	(78,019)	-	(78,019)
Other Support Services - Students Regular	456,102	-	-	456,102	-	-	-	-	(456,102)	-	(456,102)
Other Support Services - Students Special	590,952	-	-	590,952	-	-	-	-	(590,952)	-	(590,952)
Improvement of Instruction Services	160,529	-	-	160,529	-	-	-	-	(160,529)	-	(160,529)
Educational Media Services/School Library	339,223	-	-	339,223	-	-	-	-	(339,223)	-	(339,223)
Instructional Staff Training Services	68,009	-	-	68,009	-	-	-	-	(68,009)	-	(68,009)
Support Services - General Administration	580,590	-	-	580,590	-	-	-	-	(580,590)	-	(580,590)
Support Services - School Administration	1,474,339	-	-	1,474,339	-	-	-	-	(1,474,339)	-	(1,474,339)
Central Services	428,327	-	-	428,327	-	-	-	-	(428,327)	-	(428,327)
Administrative Information Technology	81,874	-	-	81,874	-	-	-	-	(81,874)	-	(81,874)
Required Maintenance for School Facilities	689,370	-	-	689,370	-	-	-	-	(689,370)	-	(689,370)
Operation and Maintenance of Plant Services	1,658,951	-	-	1,658,951	-	-	-	-	(1,658,951)	-	(1,658,951)
Student Transportation Services	395,195	-	-	395,195	-	56,021	-	56,021	(339,174)	-	(339,174)
Allocated and Unallocated Employee Benefits	3,957,807	(38,279)	-	3,919,528	-	-	-	-	(3,919,528)	-	(3,919,528)
TPAF Pension	851,141	-	-	851,141	-	851,141	-	851,141	-	-	-
TPAF Social Security	949,368	-	-	949,368	-	949,368	-	949,368	-	-	-
Capital Outlay:											
Interest Deposit to Capital Reserve	-	-	-	-	-	-	-	-	-	-	-
Equipment	12,992	(667,058)	997,915	343,849	-	-	-	-	(343,849)	-	(343,849)
Facilities Acquisition and Construction Services	845,307	-	-	845,307	-	-	-	-	(845,307)	-	(845,307)
Debt Service:											
Interest on Bonds	797,444	-	-	797,444	-	-	-	-	(797,444)	-	(797,444)
Redemption of Principal	714,000	(714,000)	-	-	-	-	-	-	-	-	-
Total Governmental Activities	\$ 28,348,514	\$ (1,419,337)	\$ 997,915	\$ 27,927,092	\$ 5,414,143	\$ 3,072,499	\$ -	\$ 8,486,642	\$ (19,440,450)	\$ -	\$ (19,440,450)
Total Business-Type Activities	\$ 1,168,355	\$ -	\$ 90,000	\$ 1,258,355	\$ 1,137,790	\$ 107,237	\$ -	\$ 1,245,027	\$ -	\$ (13,328)	\$ (13,328)
Total Primary Government	\$ 29,516,869	\$ (1,419,337)	\$ 1,087,915	\$ 29,185,447	\$ 6,551,933	\$ 3,179,736	\$ -	\$ 9,731,669	\$ (19,440,450)	\$ (13,328)	\$ (19,453,778)
General Revenues:											
Local Tax Levy									\$ 16,502,468	-	16,502,468
Unrestricted Miscellaneous Revenues									88,394	645	89,039
State Aid									2,788,583	-	2,788,583
Transfers									(129,596)	101,596	(28,000)
Other Financing Sources									651,000	-	651,000
Change in Net Assets									\$ 460,399	\$ 88,913	\$ 549,312
Net Assets—Beginning									7,033,175	226,857	7,260,032
Net Assets—Ending									\$ 7,493,574	\$ 315,770	\$ 7,809,344

**LEONIA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total 2009	2008
ASSETS						
Cash	\$ 1,290,979	\$ (18,362)	\$ -	\$ (9,468)	\$ 1,263,149	\$ 1,031,746
Cash - Petty Cash Account	-	-	-	-	-	51
Cash - Petty Cash Account	340	-	-	-	340	1,081
Cash	-	-	365,746	-	365,746	41,387
Investments	-	-	-	-	-	738,007
Intergovernmental Receivable - State	105,030	-	-	-	105,030	67,747
Intergovernmental Receivable - Federal	-	201,373	-	-	201,373	-
Interfund Receivable	-	-	-	11,853	11,853	280,097
Total Assets	<u>\$ 1,396,349</u>	<u>\$ 183,011</u>	<u>\$ 365,746</u>	<u>\$ 2,385</u>	<u>\$ 1,947,491</u>	<u>\$ 2,160,116</u>

LIABILITIES AND FUND BALANCES

Liabilities:						
Intergovernmental Payable - State	\$ -	\$ 29,840	\$ -	\$ -	\$ 29,840	\$ 39,040
Accounts Payable	-	-	-	-	-	99,165
Interfunds Payable	-	-	11,853	-	11,853	291,615
Deferred Revenue - Federal Programs	-	87,139	-	-	87,139	16,646
Deferred Revenue - Reserve for Encumbrances	-	66,032	-	-	66,032	-
Total Liabilities	<u>\$ -</u>	<u>\$ 183,011</u>	<u>\$ 11,853</u>	<u>\$ -</u>	<u>\$ 194,864</u>	<u>\$ 446,466</u>
Fund Balances:						
Reserve for Encumbrances	\$ 295,555	\$ -	\$ -	\$ -	\$ 295,555	\$ 167,004
Excess Surplus FY 2011	507,466	-	-	-	507,466	-
Excess Surplus FY 2010	427,087	-	-	-	427,087	427,087
Designated for Subsequent Years' Expenditures	16,139	-	-	-	16,139	270,629
Undesignated	150,102	-	353,893	2,385	506,380	848,930
Total Fund Balances	<u>\$ 1,396,349</u>	<u>\$ -</u>	<u>\$ 353,893</u>	<u>\$ 2,385</u>	<u>\$ 1,752,627</u>	<u>\$ 1,713,650</u>
Total Liabilities and Fund Balances	<u>\$ 1,396,349</u>	<u>\$ 183,011</u>	<u>\$ 365,746</u>	<u>\$ 2,385</u>	<u>\$ 1,947,491</u>	<u>\$ 2,160,116</u>

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because: 1,752,627 1,713,650

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 23,132,890 23,463,747

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. (17,391,943) (18,144,222)

Net assets of governmental activities \$ 7,493,574 \$ 7,033,175
proof - - - - -

LEONIA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

	General	Special Revenue	Capital Projects	Debt Service	Total 2008
REVENUES					
Local Sources:					
Local Tax Levy	\$ 15,377,440	\$ -	\$ -	\$ 1,125,028	\$ 16,502,468
Tuition - Individuals	221,287	-	-	-	221,287
Tuition - Other LEAs	5,192,856	-	-	-	5,192,856
Unrestricted Miscellaneous Revenues	83,265	-	2,744	2,385	88,394
Total Local Sources	\$ 20,874,848	\$ -	\$ 2,744	\$ 1,127,413	\$ 22,005,005
State Sources	5,406,744	61,490	-	32,416	5,500,650
Federal Sources	-	360,432	-	-	360,432
Total Revenues	\$ 26,281,592	\$ 421,922	\$ 2,744	\$ 1,159,829	\$ 27,866,087
EXPENDITURES					
Current Expense:					
Instruction:					
Regular Programs - Instruction	\$ 8,322,782	\$ 283,034	\$ -	\$ -	\$ 8,605,816
Special Education - Instruction	1,921,364	138,888	-	-	2,060,252
Basic Skills - Remedial Instruction	337,247	-	-	-	337,247
Bilingual Education - Instruction	224,286	-	-	-	224,286
School Sponsored Cocurricular Activities - Instruction	181,782	-	-	-	181,782
School Sponsored Athletics - Instruction	330,545	-	-	-	330,545
Community Service Programs	13,150	-	-	-	13,150
Undistributed Expenditures:					
Instruction	842,705	-	-	-	842,705
Attendance and Social Work Services	19,037	-	-	-	19,037
Health Services	211,868	-	-	-	211,868
Other Support Services - Students Related Services	392,287	-	-	-	392,287
Other Support Services - Students Extraordinary Services	78,019	-	-	-	78,019
Other Support Services - Students Regular	456,102	-	-	-	456,102
Other Support Services - Students Special	590,952	-	-	-	590,952
Improvement of Instruction Services	160,529	-	-	-	160,529
Educational Media Services/School Library	339,223	-	-	-	339,223
Instructional Staff Training Services	68,009	-	-	-	68,009
Support Services - General Administration	580,590	-	-	-	580,590
Support Services - School Administration	1,474,339	-	-	-	1,474,339
Central Services	428,327	-	-	-	428,327
Administrative Information Technology	81,874	-	-	-	81,874
Required Maintenance for School Facilities	689,370	-	-	-	689,370
Operation and Maintenance of Plant Services	1,658,951	-	-	-	1,658,951
Student Transportation Services	395,195	-	-	-	395,195
Allocated and Unallocated Employee Benefits	3,957,807	-	-	-	3,957,807
TPAF Pension	851,141	-	-	-	851,141
TPAF Social Security	949,368	-	-	-	949,368
Capital Outlay:					
Interest Deposit to Capital Reserve	-	-	-	-	-
Equipment	12,992	-	-	-	12,992
Facilities Acquisition and Construction Services	129,530	-	715,777	-	845,307
Debt Service:					
Interest on Bonds	-	-	-	797,444	797,444
Redemption of Principal	-	-	-	714,000	714,000
Total Expenditures	\$ 25,699,371	\$ 421,922	\$ 715,777	\$ 1,511,444	\$ 28,348,514
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 582,221	\$ -	\$ (713,033)	\$ (351,615)	\$ (482,427)
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds	-	-	651,000	-	651,000
Operating Transfers	(129,596)	-	(83,371)	83,371	(129,596)
Net Change In Fund Balances	\$ 452,625	\$ -	\$ (145,404)	\$ (268,244)	\$ 38,977
Fund Balances - July 1	943,724	-	499,297	270,629	1,713,650
Fund Balances - June 30	\$ 1,396,349	\$ -	\$ 353,893	\$ 2,385	\$ 1,752,627

LEONIA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

	2009	2008
Total Net Change in Fund Balances - Governmental Funds (B-2)	38,977	\$ (1,462,843)
Amounts reported for governmental activities in the statement		
Investment Earnings		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	(997,915)	(731,617)
Capital Outlays	667,058	12,000
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	714,000	750,000
Employee Benefits:		
Accrued Compensated Absences	25,612	(117,031)
Paid Compensated Absences	12,667	148,151
Other Adjustments	-	61,160
Change in net assets of governmental activities	<u>\$ 460,399</u>	<u>\$ (1,340,180)</u>

**LEONIA SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUND**

	2009	2008	2007	2006
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 83,030	\$ 61,220	\$ 213,595	\$ 82,866
Interfund Receivable - General Fund	-	11,518	33,890	19,758
Intergovernmental Receivable - State	1,679	399	1,696	722
Intergovernmental Receivable - Federal	21,131	4,047	16,595	7,260
Inventories	-	-	4,007	11,305
Total Current Assets	<u>\$ 105,840</u>	<u>\$ 77,184</u>	<u>\$ 269,783</u>	<u>\$ 121,911</u>
Non-Current Assets:				
Machinery and Equipment, (Net)	\$ 324,204	\$ 414,204	\$ 502,649	\$ 68,158
Total Assets	<u>\$ 430,044</u>	<u>\$ 491,388</u>	<u>\$ 772,432</u>	<u>\$ 190,069</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ 153,801	\$ 42,877
Lease Payable	114,274	264,531	409,049	-
	<u>\$ 114,274</u>	<u>\$ 264,531</u>	<u>\$ 562,850</u>	<u>\$ 42,877</u>
<u>NET ASSETS</u>				
Invested in Capital Assets,				
Net of Related Debt	\$ 209,930	\$ 149,673	\$ 93,600	\$ 68,158
Unrestricted	105,840	77,184	115,982	79,034
Total Net Assets	<u>\$ 315,770</u>	<u>\$ 226,857</u>	<u>\$ 209,582</u>	<u>\$ 147,192</u>

LEONIA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

	2009	2008	2007	2006
<u>OPERATING REVENUES</u>				
Charges for Services:				
Daily Sales	\$ 482,367	\$ 477,389	\$ 439,555	\$ 428,013
Other Services	515,905	457,600	440,000	-
Tuition	139,518	102,534	79,937	88,864
Interest Earned	645	2,782	-	-
	<u>\$ 1,138,435</u>	<u>\$ 1,040,305</u>	<u>\$ 959,492</u>	<u>\$ 516,877</u>
<u>OPERATING EXPENSES</u>				
Salaries	\$ 494,575	\$ 83,575	\$ -	\$ -
Support Services - Employee Benefits	5,901	-	-	-
Purchased Professional/Technical Services	-	-	-	-
Purchased Property Services	-	-	-	-
Other Purchased Services	596,996	957,855	826,482	583,510
Supplies and Materials	22,827	-	-	-
Depreciation	90,000	88,445	88,445	13,740
Cost of Sales	-	-	-	-
Miscellaneous Expenditures	48,056	64,354	70,717	33,308
	<u>\$ 1,258,355</u>	<u>\$ 1,194,229</u>	<u>\$ 985,644</u>	<u>\$ 630,558</u>
Operating Income (Loss)	<u>\$ (119,920)</u>	<u>\$ (153,924)</u>	<u>\$ (26,152)</u>	<u>\$ (113,681)</u>
<u>NON-OPERATING REVENUES</u>				
State Sources:				
State School Lunch Program	\$ 6,709	\$ 6,466	\$ 8,225	\$ 8,005
State School Breakfast Program	1,504	1,608	-	-
Federal Sources:				
School Breakfast Program	13,166	9,961	-	-
National School Lunch Program	85,858	69,589	80,317	81,021
USDA Food Commodities	-	-	-	27,615
	<u>\$ 107,237</u>	<u>\$ 87,624</u>	<u>\$ 88,542</u>	<u>\$ 116,641</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (12,683)</u>	<u>\$ (66,300)</u>	<u>\$ 62,390</u>	<u>\$ 2,960</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers	101,596	83,575	-	-
Net Change In Fund Balances	<u>\$ 88,913</u>	<u>\$ 17,275</u>	<u>\$ 62,390</u>	<u>\$ 2,960</u>
Total Net Assets - Beginning	226,857	209,582	147,192	144,232
Total Net Assets - Ending	<u>\$ 315,770</u>	<u>\$ 226,857</u>	<u>\$ 209,582</u>	<u>\$ 147,192</u>

**LEONIA SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

	2009	2008	2007	2006
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ (119,920)	\$ (70,348)	\$ (26,152)	\$ (86,066)
Adjustments to Reconcile Operating Income to Cash Provided (Used)				
By Operating Activities --				
Depreciation	90,000	88,445	88,445	13,740
Food Distribution Program	-	-	-	-
Change in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	(6,846)	36,216	(24,441)	(11,654)
(Increase) Decrease in Inventory	-	4,007	7,298	(2,008)
Increase (Decrease) in Accounts Payable	-	(153,801)	110,924	(4,222)
Increase (Decrease) in Lease Payable	(150,257)	(144,518)	-	-
Net Cash Provided (Used) by Operating Activities	\$ (187,023)	\$ (239,999)	\$ 156,074	\$ (90,210)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Purchase and Retirement of Capital Assets	\$ -	\$ -	\$ (113,887)	\$ (3,688)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Cash Flows from State and Federal Reimbursements	\$ 208,833	\$ 87,624	\$ 88,542	\$ 89,026
Net Increase in Cash	\$ 21,810	\$ (152,375)	\$ 130,729	\$ (4,872)
Cash, July 1	61,220	213,595	82,866	87,738
Cash, June 30	\$ 83,030	\$ 61,220	\$ 213,595	\$ 82,866

**LEONIA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

	2009	2008	2007	2006
<hr/>				
<u>ASSETS</u>				
Cash	\$ 224,081	\$ 235,373	\$ 270,584	\$ 164,809
<hr/>				
<u>LIABILITIES</u>				
Due to Student Groups	\$ 115,586	\$ 132,873	\$ 115,175	\$ 70,540
Payroll, Deductions and				
Withholdings Payable	108,495	102,500	155,409	94,269
<hr/>				
Total Liabilities	\$ 224,081	\$ 235,373	\$ 270,584	\$ 164,809
<hr/>				
<u>NET ASSETS</u>				
Unrestricted	\$ -	\$ -	\$ -	\$ -
<hr/>				

LEONIA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

Not Applicable

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

The Leonia School District is a Type II School District located in Bergen County, New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. The District includes seven school facilities, all located in the Borough of Leonia which support the following programs:

Regular Programs:

Preschool

Kindergarten

Grades 1 - 5

Grades 6 - 8

Grades 9 - 12

Special Education Program:

Learning and/or Language Disabilities

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control.

There were no additional entities required to be included in the reporting entity under the criteria, as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types --

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

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.)

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 Fund Type --

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for 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 to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Fund Types --

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of others as their agent. Agency funds are custodial in nature and do not involve a measurement of results of operations.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, 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 recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

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

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred.

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 and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. There were no budget amendments during the fiscal year ended June 30, 2009.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Short-Term Interfund Receivables/Payables

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

G. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in first-out (FIFO) method.

H. Fixed Assets

General Fixed Assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The general fixed assets acquired or constructed prior to June 30, 1999, are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company.

General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Accrued Salaries and Wages

Certain District 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. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2009, the amount earned by these employees but not disbursed was \$0.

J. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See note 1(e) regarding the special revenue fund.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

L. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriatable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

M. Memorandum Only - Total Columns

Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

N. Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of changes on the District's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 2 - Cash and Cash Equivalents and Investments

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits --

New Jersey statutes require that school districts deposit public funds in public 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 public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the daily balance of collected public funds on deposit.

The market value of the collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

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 twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2009, cash and cash equivalents and investments of the District consisted of the following:

	Cash	Investments
Checking/Money Market Accounts	\$ 1,712,265	\$ -
	<u>\$ 1,712,265</u>	<u>\$ -</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 3 - Fixed Assets

The following schedule is a summarization of the changes in general fixed assets by source for the fiscal year ended June 30, 2009:

	Beginning Balance	Additions	Disposals	Adjustments	Ending Balance
<i>Governmental Activities --</i>					
Capital Assets not being Depreciated:					
Sites	\$ 109,368	\$ -	\$ -	\$ -	\$ 109,368
Construction in Progress	-	-	-	-	-
	<u>\$ 109,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,368</u>
Capital Assets being Depreciated:					
Site Improvements	\$ 548,710	\$ -	\$ -	\$ -	\$ 548,710
Building Improvements	29,604,823	-	-	-	29,604,823
Machinery and Equipment	1,504,785	667,058	-	-	2,171,843
	<u>\$ 31,658,318</u>	<u>\$ 667,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,325,376</u>
	\$ 31,767,686	\$ 667,058	\$ -	\$ -	\$ 32,434,744
Less Accumulated Depreciation:					
Site Improvements	\$ (370,379)	\$ (27,436)	\$ -	\$ -	\$ (397,815)
Building Improvements	(6,629,723)	(577,649)	-	-	(7,207,372)
Machinery and Equipment	(1,303,837)	(392,830)	-	-	(1,696,667)
	<u>\$ (8,303,939)</u>	<u>\$ (997,915)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,301,854)</u>
Net Assets for Governmental Activities	<u>\$ 23,463,747</u>	<u>\$ (330,857)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,132,890</u>
<i>Business Type Activities --</i>					
	Beginning Balance	Additions	Disposals	Adjustments	Ending Balance
Capital Assets being Depreciated:					
Machinery and Equipment	\$ 759,254	\$ -	\$ -	\$ -	\$ 759,254
Less Accumulated Depreciation For:					
Machinery and Equipment	\$ (345,050)	\$ (90,000)	\$ -	\$ -	\$ (435,050)
Net Assets for Business Type Activities	<u>\$ 414,204</u>	<u>\$ (90,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,204</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 4 - Operating Leases and Other Commitments

In accordance with GAAP, the District does not include non-capitalized (operating) leases or other similar commitments in the financial statements. As of June 30, 2009, the District had not entered into any such agreements which would be considered material for subsequent year's obligation disclosure. The District has entered into such agreements which have been deemed immaterial to the financial statements for small office equipment, etc. Detailed information concerning these insignificant obligations is on file with the School Business Office.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 5 - Long-Term Debt

During the fiscal year ended June 30, 2009, the following changes occurred in liabilities reported as general long-term debt:

	Beginning Balance	Issued	Retired	Adjustments	Ending Balance
Bonds Payable	\$ 17,824,000	\$ -	\$ (714,000)	\$ -	\$ 17,110,000
Compensated Absences Payable	320,222	-	(12,667)	(25,612)	281,943
	<u>\$ 18,144,222</u>	<u>\$ -</u>	<u>\$ (726,667)</u>	<u>\$ (25,612)</u>	<u>\$ 17,391,943</u>

	Amounts Due within One Year	Long-Term Portion	Ending Balance
Bonds Payable	\$ 760,000	\$ 16,350,000	\$ 17,110,000
Compensated Absences Payable	-	281,943	281,943
	<u>\$ 760,000</u>	<u>\$ 16,631,943</u>	<u>\$ 17,391,943</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 5 - Long-Term Debt (Continued)

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. As of June 30, 2009, the Board had \$17,110,000 of bonds payable. As of June 30, 2009, the Board had not authorized the issuance of any additional bonds.

B. Compensated Absences Payable

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy and contractual obligations. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions. The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group. In 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 current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

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

C. Long-Term Debt Service to Maturity

The annual debt service requirement for long-term obligation requirements to maturity, including principal and interest as of June 30, 2009 are as follows:

Year Ended June 30,	School Bonds	
	Principal	Interest
2010	\$ 760,000	\$ 797,442
2011	845,000	766,020
2012	1,045,000	690,664
2013	1,125,000	643,922
2014	1,165,000	594,437
2015	1,180,000	543,525
2016	1,225,000	491,080
2017	1,265,000	436,670
2018	1,150,000	382,811
2019	1,150,000	329,986
2020	1,200,000	275,381
2021	1,200,000	218,550
2022	1,250,000	222,343
2023	1,250,000	32,500
2024	1,300,000	32,500
	<u>\$ 17,110,000</u>	<u>\$ 6,457,831</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 6 - Retirement Plans

Those employees who are eligible for pension coverage are enrolled in either the Public Employees Retirement System of New Jersey (PERS) or the Teachers' Pension and Annuity Fund of New Jersey (TPAF). The systems are cost-sharing multiple-employer contributory defined benefit pension plans, and are component units of the State of New Jersey. Each retirement system has a Board of Trustees which is responsible for its organization and administration.

A. Plan Descriptions, Contribution Information and Funding Policies

Public Employees' Retirement System (PERS)

Description of the System - The State of New Jersey Public Employees' Retirement System (the System; PERS) is a cost-sharing multipleemployer contributory defined benefit plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System is included along with other state-administered pension trust and agency funds in the basic financial statements of the State of New Jersey.

At June 30, 2007 and 2006, the dates of the most recent actuarial valuations, participating employers consisted of the following:

	2007	2006
State of New Jersey	1	1
County Agencies	65	66
Municipalities	580	576
School Districts	558	588
Other Public Agencies	487	446
Total	<u>1,691</u>	<u>1,677</u>

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System 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 pension fund or local jurisdiction's pension fund. The System's Board of Trustees is primarily responsible for the administration of the System.

According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

The System adopted Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (OPEB) as of July 1, 2006. Prior to the adoption, the Post-Retirement Medical Fund (PRM) of PERS was reported as a trust fund and was combined with the PERS pension trust fund plan. As a result of the implementation of GASB Statement No. 43, PRM of PERS is combined with the State Health Benefits Program Fund (SHBP) and the Prescription Drug Program Fund (PDP) and reported as Health Benefit Program Funds. Specifically, SHBP-State, PDP-State, and PRM of PERS are combined and reported as a trust fund classified as a single employer plan. Certain amounts included in the PERS PRM are legally required to be transferred to the SHBP and are recorded as additions and deductions in PERS PRM and SHBP. All interfund transactions have been eliminated in the financial statements of the SHBP.

In 2008, the System adopted the provisions of GASB Statement No. 50, "Pension Disclosures."

Note 6 - Retirement Plans (Continued)

A. Plan Descriptions, Contribution Information and Funding Policies (Continued)

Public Employees' Retirement System (PERS) (Continued)

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The System provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the System. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

Chapter 353, P.L. 2001 provided an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members' compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which was effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1 percent for every year under age 60 to age 55 plus 3 percent for every year under age 55.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 6 - Retirement Plans (Continued)

A. Plan Descriptions, Contribution Information and Funding Policies (Continued)

Public Employees' Retirement System (PERS) (Continued)

Significant Legislation:

Chapter 103, P.L. 2007, certain parts effective July 1, 2007, provided for the following: changed contribution rate of PERS to 5.5% of annual compensation; imposed an annual maximum wage contribution base and amended the early retirement reduction formula for new members. If a person became a member on or after July 1, 2007, that person must be at least 60 years of age in order to retire without a reduction in their retirement allowance. The legislation also eliminated the funding for the post-retirement medical benefits through the PERS.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform. Effective July 1, 2007, the legislation closed the Workers' Compensation Judges Part of the PERS to new members. Effective January 1, 2008, the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

Chapter 21, P.L. 2008, effective June 24, 2008, provided an early retirement incentive program to eligible State employees in the Executive Branch of State Government and eligible Judiciary employees in the Judicial Branch of State Government who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire by August 1, 2008.

Membership

Membership in the System consisted of the following at June 30, 2007 and 2006, the dates of the most recent actuarial valuations:

	<u>2007</u>	<u>2006</u>
Retirees and beneficiaries currently receiving benefits and employees entitled to benefits but not yet receiving them	<u>130,686</u>	<u>126,592</u>
Active Members:		
Vested	140,400	140,306
Non-Vested	<u>178,853</u>	<u>177,434</u>
Total Active Members	<u>319,253</u>	<u>317,740</u>
Total	<u><u>449,939</u></u>	<u><u>444,332</u></u>

Note 6 - Retirement Plans (Continued)

A. Plan Descriptions, Contribution Information and Funding Policies (Continued)

Teachers' Pension and Annuity Fund

Description of the Fund - The State of New Jersey Teachers' Pension and Annuity Fund (the Fund; TPAF) is a cost-sharing contributory defined benefit plan with a special funding situation which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The Fund is included along with other state-administered pension trust and agency funds in the basic financial statements of the State of New Jersey.

The Fund's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the Fund 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. The Fund's Board of Trustees is primarily responsible for the administration of the Fund.

According to the State of New Jersey Administrative Code, all obligations of the Fund will be assumed by the State of New Jersey should the Fund terminate.

The Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (OPEB) as of July 1, 2006. Prior to the adoption, the Post-Retirement Medical Fund (PRM) of TPAF was reported as a trust fund and was combined with the TPAF pension trust fund plan. As a result of the implementation of GASB Statement No. 43, PRM of TPAF is combined with the State Health Benefits Program Fund (SHBP) and the Prescription Drug Program Fund (PDP) and reported as Health Benefit Program Funds. Specifically, SHBP-Local, PDP-Local, and PRM of TPAF are combined and reported as a separate trust fund classified as a cost-sharing multiple-employer plan. Certain amounts included in the TPAF PRM are legally required to be transferred to the SHBP and are recorded as additions and deductions in TPAF PRM and SHBP. All interfund transactions have been eliminated in the financial statements of the SHBP.

In 2008, the Fund adopted the provisions of GASB Statement No. 50, "Pension Disclosures."

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 18A:66. The TPAF provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the Fund. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Note 6 - Retirement Plans (Continued)

A. Plan Descriptions, Contribution Information and Funding Policies (Continued)

Teachers' Pension and Annuity Fund (Continued)

Chapter 353, P.L. 2001 provided an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members' compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which were effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1 percent for every year under age 60 to age 55 plus 3 percent for every year under age 55.

Significant Legislation:

Chapter 103, P.L. 2007, certain parts effective July 1, 2007, provided for the following: changed contribution rates of the TPAF to 5.5% of annual compensation; imposed an annual maximum wage contribution base for members hired on or after July 1, 2007; and amended the early retirement reduction formula for the new members. If a person became a member on or after July 1, 2007, that person must be at least 60 years of age in order to retire without a reduction in their retirement allowance. The legislation also eliminated the funding for the post-retirement medical benefits through the TPAF.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform. Effective January 1, 2008, the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 6 - Retirement Plans (Continued)

A. Plan Descriptions, Contribution Information and Funding Policies (Continued)

Teachers' Pension and Annuity Fund (Continued)

Membership and Contributing Employers

Membership in the Fund consisted of the following at June 30, 2007 and 2006, the dates of the most recent actuarial valuations:

	2007	2006
Retirees and beneficiaries currently receiving benefits and employees entitled to benefits but not yet receiving them	72,748	69,467
Active Members:		
Vested	75,235	75,069
Non-Vested	79,861	78,819
Total Active Members	155,096	153,888
Total	227,844	223,355
Contributing Employers	38	37

B. Trend Information

Historical trend information showing the plan's progress in accumulating sufficient assets to pay benefits when due are presented in the State of New Jersey's PERS and TPAF financial reports. Those reports may be obtained by writing to the State of New Jersey, Department of Treasury Division of Pensions & Benefits P.O. Box 295, Trenton, New Jersey 08625-0295 or by calling (609) 292-7524.

Contributions required by the District were as follows:

Public Employees Retirement System:

Year	Annual Pension Cost	Chapter 108 P.L. 2003 Phase - In Credit	Chapter 19 P.L. 2009 Deferral	Non-Contributory Group Life Insurance	Net Pension Obligation
2009	\$ 222,180	\$ -	\$ (111,090)	27,617	\$ 138,707
2008	271,250	(39,592)	-	-	231,658
2007		-	-	-	-
2006		-	-	-	-
2005		-	-	-	-

Teachers' Pension and Annuity Fund:

Year	Annual Pension Cost	Percentage Contributed	Total Obligation
2009	\$ 851,141	100%	- (On-Behalf)
2008	1,648,169	100%	- (On-Behalf)
2007	1,642,096	100%	- (On-Behalf)
2006	808,232	100%	- (On-Behalf)

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7 - Post-Retirement Benefits

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

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

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

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 8 - Compensated Absences

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

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

Note 9 - Deferred Compensation

The Board offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 403(b). The plans 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.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 10 - Capital Reserve Account

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

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes 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 account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

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 of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 12 - Interfund Receivables and Payables

Interfund balances as of June 30 were as follows:

	2009		2008	
	Interfund Receivable	Interfund Payable	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ -	\$ -	\$ 11,518
Special Revenue Fund	-	-	-	-
Capital Projects Fund	-	11,853	-	280,097
Debt Service Fund	11,853	-	280,097	-
Enterprise Fund	-	-	11,518	-
Trust and Agency Fund	-	-	-	-
	<u>\$ 11,853</u>	<u>\$ 11,853</u>	<u>\$ 291,615</u>	<u>\$ 291,615</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 13 - Retained Earnings - Food Services Enterprise Fund

The Food Service Enterprise Fund has a cumulative retained earnings at June 30 as follows:

	<u>2009</u>	<u>2008</u>
Retained Earnings	<u>\$ 75,375</u>	<u>\$ 71,122</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 14 - Fund Balance Appropriated

General Fund -- The following is an analysis of the General Fund balance at June 30:

	2009	2008
Capital Reserve	\$ -	\$ -
Reserve for Encumbrances	295,555	167,004
Reserved Fund Balance - Excess Surplus FY 2011	507,466	-
Reserved Fund Balance - Excess Surplus FY 2010	427,087	438,836
Reserved Fund Balance - Excess Surplus FY 2009	-	-
Designated for Subsequent Years' Expenditures	16,139	-
Undesignated	150,102	349,402
	<u>\$ 1,396,349</u>	<u>\$ 955,242</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 15 - Calculation of Excess Surplus

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

	<u>2009</u>	<u>2008</u>
Excess Fund Balance	<u>\$ 934,553</u>	<u>\$ 438,836</u>

LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 16 - Reconciliation of Budgetary Basis General Fund Balance to GAAP Basis General Fund Balance

	<u>2009</u>	<u>2008</u>
Total Fund Balance, June 30 - Budgetary Basis	\$ 1,732,333	\$ 1,145,839
Less: Final Delayed State Aid Payment	(335,984)	(143,857)
Total Fund Balance, June 30 - GAAP Basis	<u>\$ 1,396,349</u>	<u>\$ 1,001,982</u>

**LEONIA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009**

Note 17 - Contingent Liabilities

The Board is not involved in any claims which could be material to its operations.

APPENDIX C

THE BOROUGH OF LEONIA

DESCRIPTION AND GENERAL INFORMATION

GENERAL INFORMATION REGARDING THE BOROUGH

Leonia is a borough in Bergen County, New Jersey, United States. As of the United States 2000 Census, the Borough population was 8,914. It is located near the western approach to the George Washington Bridge. Leonia was formed as the result of a referendum passed on December 5, 1894, from portions of Ridgefield Township. Portions of Leonia were taken on February 19, 1895, to form the Township of Teaneck. New Jersey Monthly magazine ranked Leonia as its 31st best place to live in its 2008 rankings of the "Best Places To Live" in New Jersey.

Geography

Leonia is located at 40°51'48"N 73°59'18"W / 40.863413°N 73.988273°W / 40.863413; -73.988273 (40.863413, -73.988273). According to the United States Census Bureau, the Borough has a total area of 1.6 square miles (4.2 km²), of which, 1.5 square miles (3.9 km²) of it is land and 0.1 square miles (0.3 km²) of it (7.41%) is water. Leonia is designated as a Tree City USA.

Demographics

As of the census of 2000, there were 8,914 people, 3,271 households, and 2,436 families residing in the Borough. The population density was 5,921.3 people per square mile (2,279.3/km²). There were 3,343 housing units at an average density of 2,220.6/sq mi (854.8/km²). The racial makeup of the Borough was 65.74% White, 2.27% African American, 0.09% Native American, 26.06% Asian, 0.01% Pacific Islander, 3.20% from other races, and 2.64% from two or more races. Hispanic or Latino of any race were 12.73% of the population. There were 3,271 households out of which 36.7% had children under the age of 18 living with them, 61.5% were married couples living together, 9.5% had a female householder with no husband present, and 25.5% were non-families. 22.1% of all households were made up of individuals and 10.3% had someone living alone who was 65 years of age or older. The average household size was 2.72 and the average family size was 3.20. In the Borough the population was spread out with 24.6% under the age of 18, 5.9% from 18 to 24, 29.0% from 25 to 44, 26.9% from 45 to 64, and 13.7% who were 65 years of age or older. The median age was 40 years. For every 100 females there were 92.7 males. For every 100 females age 18 and over, there were 87.7 males. The median income for a household in the Borough was \$72,440, and the median income for a family was \$84,591. Males had a median income of \$55,156 versus \$38,125 for females. The per capita income for the Borough was \$35,352. About 5.0% of families and 6.5% of the population were below the poverty line, including 9.0% of those under age 18 and 1.8% of those age 65 or over. As of the 2000 census, 17.24% of Leonia's residents identified themselves as being of Korean ancestry, which was the fourth highest in the United States and second highest of any municipality in New Jersey — behind neighboring Palisades Park (36.38%) — for all places with 1,000 or more residents identifying their ancestry. Additionally, 3.07% of Leonia's residents identified themselves as being of Japanese ancestry, which was the fourth highest of any municipality in New Jersey — behind Fort Lee (6.09%), Demarest (3.72%) and Edgewater (3.22%) — for all places with 1,000 or more residents identifying their ancestry.

Local Government

Leonia is governed under the Borough form of New Jersey municipal government. The government consists of a Mayor and a Borough Council comprising six council members, with all positions elected at large. A Mayor is elected directly by the voters to a four-year term of office and only votes to break a tie. The Borough Council consists of six members elected to serve three-year terms on a staggered basis, with two seats coming up for election each year. By state statute, the Mayor is the head of the municipal government. He or she makes all appointments (most are subject to Council confirmation), and is an "ex officio" member of committees. In addition, the Mayor has the authority to veto all or part of a new ordinance if it is adopted by the Council. The Mayor presides at all meetings of the Council, but does not vote except in the event of a tie. The Council is Leonia's legislative body, creating and passing the annual operating and capital budgets, and can enact local ordinances that create or change laws within Leonia. Council members attend two Council meetings each month and serve on Council committees and as liaison and/or commissioner to various Borough organizations. The Mayor and Council members in Leonia receive no compensation for their efforts in governing the town.

New Construction and Housing

	Number of <u>Permits Issued</u>	Number of <u>Updates Issued</u>	Value of <u>Construction</u>
2009	347	53	\$ 9,212,358
2008	405	49	\$ 10,917,948
2007	409	57	\$ 6,686,307
2006	478	53	\$ 5,951,643
2005	505	45	\$ 5,123,552

Fund Balance Summaries

	2008	2007	2006	2005	2004
<u>CURRENT FUND</u>					
Fund Balance, December 31	\$ 533,573	\$ 774,270	\$ 1,246,937	\$ 1,217,937	\$ 1,387,127
Utilized in Succeeding Year's Budget	204,000	496,128	840,000	675,000	775,000
% Utilized	38.23%	64.08%	67.37%	55.42%	55.87%
<u>SWIMMING POOL UTILITY FUND</u>					
Fund Balance, December 31	\$ 132,354	\$ 101,817	\$ 102,234	\$ 93,773	\$ 95,062
Utilized in Succeeding Year's Budget	70,225	-	8,767	-	41,430
% Utilized	53.06%	0.00%	8.58%	0.00%	43.58%

TAX INFORMATION REGARDING THE BOROUGH

Ten Largest Taxpayers by Assessment

Taxpayer	Assessed Valuation	As a Percent of 2010 Total Net Valuations
		\$ 1,353,097,425
Leonia Manor Associates	\$ 11,384,000	0.84%
Berk-Cohen Associates	10,512,300	0.78%
One Wollow Associates, LLC #125	8,937,300	0.66%
Anthony & Nora Kurtz	8,088,600	0.60%
Fairlawn Company	8,003,300	0.59%
Home Properties	6,600,000	0.49%
Leonia Manor Partners	5,356,000	0.40%
CVS Pharmacy	4,499,600	0.33%
Southwind Farms C/O Solgar Vitamins	4,400,000	0.33%
First Realty Co. L.P.	4,200,500	0.31%
	<u>\$ 71,981,600</u>	5.32%

Assessed and County Equalized Valuation Data

	2010	2009	2008	2007	2006
NET VALUATIONS TAXABLE					
Vacant Land	\$ 6,103,300	\$ 6,144,800	\$ 4,481,500	\$ 4,239,800	\$ 3,821,300
Residential	1,169,364,300	1,169,734,100	623,853,900	623,636,900	624,514,300
Farm (Regular)	-	-	-	-	-
Farm (Qualified)	-	-	-	-	-
Commercial	83,977,200	86,503,900	38,495,900	39,037,500	39,037,500
Industrial	25,643,800	26,634,700	13,685,700	13,685,700	14,381,900
Apartments	67,022,400	67,719,400	34,184,400	34,464,400	35,206,000
Sub-Total	1,352,111,000	1,356,736,900	714,701,400	715,064,300	716,961,000
Personal Property	986,425	1,084,744	515,369	470,588	530,777
Net Valuations Taxable	1,353,097,425	1,357,821,644	715,216,769	715,534,888	717,491,777
County Equalization	112,004,864	263,095,800	816,547,485	783,819,845	610,667,679
County Equalized Valuations	<u>\$ 1,465,102,289</u>	<u>\$ 1,620,917,444</u>	<u>\$ 1,531,764,254</u>	<u>\$ 1,499,354,733</u>	<u>\$ 1,328,159,456</u>
Bergen County Equalization Ratio	92.35%	83.90%	46.76%	47.79%	54.10%

Tax Collection Procedures

Real property taxes are assessed locally, based upon assessed value. The tax bill includes a levy for Borough, Bergen County, County Open Space and school purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, transferred as of June 30 of each fiscal year. County taxes are due quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, the properties with unpaid taxes for the previous year are placed in a tax sale in accordance with New Jersey statutes. Annual in rem tax foreclosure proceedings are instituted to enforce tax collection procedures or the acquisition of title to the property by the Borough.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder, either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive, as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the County Board of Taxation on or before the first day of April of the current tax year for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the State Department of Taxation, Division of Tax Appeals, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or, with the permission of the Local Finance Board, may be financed, generally, over a three- to five-year period.

TAX INFORMATION REGARDING THE BOROUGH (Continued)

Tax Rate and Requirement Data

	2009	2008	2007	2006	2005
<u>TAX REQUIREMENTS</u>					
County	\$ 2,946,517	\$ 2,675,072	\$ 2,574,925	\$ 2,353,427	\$ 2,203,021
County Open Space	162,092	153,176	149,935	132,816	115,999
Local School	16,791,664	16,343,007	15,842,431	15,116,135	14,835,321
Municipal	9,558,872	9,182,219	8,583,439	8,154,093	7,652,849
Total Tax Requirements	<u>\$ 29,459,145</u>	<u>\$ 28,353,474</u>	<u>\$ 27,150,730</u>	<u>\$ 25,756,471</u>	<u>\$ 24,807,190</u>

TAX RATES

County	0.218	0.375	0.360	0.328	0.307
County Open Space	0.012	0.022	0.010	0.010	0.010
Local School	1.237	2.285	2.214	2.107	2.069
Municipal	0.703	1.284	1.216	1.145	1.074
Total Tax Rate	<u>2.17</u>	<u>3.97</u>	<u>3.80</u>	<u>3.59</u>	<u>3.46</u>

Current Year Collection Rates

	2008	2007	2006	2005	2004
Current Tax Levy	\$ 28,414,500	\$ 27,201,716	\$ 25,763,391	\$ 24,828,214	\$ 23,242,617
Current Collections	\$ 28,221,133	\$ 26,959,365	\$ 25,655,919	\$ 24,709,448	\$ 23,071,882
Percentage of Collections	<u>99.32%</u>	<u>99.11%</u>	<u>99.58%</u>	<u>99.52%</u>	<u>99.27%</u>

Delinquent Tax Collections

Delinquent Taxes	\$ 190,958	\$ 227,464	\$ 101,054	\$ 118,766	\$ 152,510
Tax Title Liens	-	-	-	-	-
Total Delinquent	<u>\$ 190,958</u>	<u>\$ 227,464</u>	<u>\$ 101,054</u>	<u>\$ 118,766</u>	<u>\$ 152,510</u>
Tax Levy	\$ 28,414,500	\$ 27,201,716	\$ 25,763,391	\$ 24,828,214	\$ 23,242,617
Percentage of Tax Levy	<u>0.67%</u>	<u>0.84%</u>	<u>0.39%</u>	<u>0.48%</u>	<u>0.66%</u>

Property Acquired by Municipality for Nonpayment of Taxes

At Assessed Valuation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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DEBT INFORMATION REGARDING THE BOROUGH

Debt Statements

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

Statement of Indebtedness

	2009	2008	2007	2006	2005
Issued:					
School Bonds and Notes	\$ 16,350,000	\$ 17,110,000	\$ 17,824,000	\$ 18,884,000	\$ 19,119,000
Utility Bonds and Notes	89,000	100,000	-	-	-
General Bonds and Notes	8,865,398	9,170,876	8,711,427	7,857,265	7,277,686
	<u>25,304,398</u>	<u>26,380,876</u>	<u>26,535,427</u>	<u>26,741,265</u>	<u>26,396,686</u>
Authorized but not Issued:					
School Bonds and Notes	17,350,000	-	-	-	-
Utility Bonds and Notes	-	-	100,000	-	-
General Bonds and Notes	639,598	657,289	1,133,133	977,470	1,232,185
	<u>17,989,598</u>	<u>657,289</u>	<u>1,233,133</u>	<u>977,470</u>	<u>1,232,185</u>
Gross Debt	<u>43,293,996</u>	<u>27,038,165</u>	<u>27,768,560</u>	<u>27,718,735</u>	<u>27,628,871</u>
Deductions:					
School Bonds and Notes	33,700,000	17,110,000	17,824,000	18,884,000	19,119,000
Utility Bonds and Notes	74,007	100,000	100,000	-	-
General Bonds and Notes	52,581	45,857	227,014	163,773	85,466
	<u>33,826,588</u>	<u>17,255,857</u>	<u>18,151,014</u>	<u>19,047,773</u>	<u>19,204,466</u>
Net Debt	<u>\$ 9,467,408</u>	<u>\$ 9,782,308</u>	<u>\$ 9,617,546</u>	<u>\$ 8,670,962</u>	<u>\$ 8,424,405</u>
3 Year Average Equalized Valuation Basis	\$ 1,536,980,190	\$ 1,547,349,292	\$ 1,451,225,856	\$ 1,326,806,822	\$ 1,161,503,101
Statutory Net Debt Percentage	0.62%	0.63%	0.66%	0.65%	0.73%
3-1/2% of Equalized Valuation Basis	\$ 53,794,307	\$ 54,157,225	\$ 50,792,905	\$ 46,438,239	\$ 40,652,609
Remaining Borrowing Power	\$ 44,326,899	\$ 44,374,917	\$ 41,175,359	\$ 37,767,277	\$ 32,228,204

Direct and Overlapping Debt

	2009	2008	2007	2006	2005
<u>DIRECT DEBT</u>					
Municipal Debt	\$ 9,593,996	\$ 9,928,165	\$ 9,944,560	\$ 8,834,735	\$ 8,509,871
Local School Debt	33,700,000	17,110,000	17,824,000	18,884,000	19,119,000
	<u>\$ 43,293,996</u>	<u>\$ 27,038,165</u>	<u>\$ 27,768,560</u>	<u>\$ 27,718,735</u>	<u>\$ 27,628,871</u>
	-	-	-	-	-
<u>OVERLAPPING DEBT</u>					
County of Bergen (1)	\$ 9,838,056	\$ 9,240,607	\$ 9,434,808	\$ 7,121,003	\$ 6,872,465
Total Direct & Overlapping Debt	<u>\$ 53,132,052</u>	<u>\$ 36,278,772</u>	<u>\$ 37,203,368</u>	<u>\$ 34,839,738</u>	<u>\$ 34,501,336</u>

(1) County Debt:

Municipal Equalized Valuations	\$ 1,620,917,444	\$ 1,531,764,254	\$ 1,499,354,733	\$ 1,328,159,456	\$ 1,160,529,432
Total County Equalized Valuations	187,580,071,463	182,767,512,263	172,863,500,734	153,984,695,626	136,528,998,442
	0.86%	0.84%	0.87%	0.86%	0.85%
X's Outstanding County Debt	1,138,505,430	1,102,573,565	1,087,757,268	825,597,736	808,502,305
	<u>\$ 9,838,056</u>	<u>\$ 9,240,607</u>	<u>\$ 9,434,808</u>	<u>\$ 7,121,003</u>	<u>\$ 6,872,465</u>

DEBT INFORMATION REGARDING THE BOROUGH (Continued)

Ratio of Gross and Net Debt to County Equalized Value and Debt Per Capita

	July 1,				
	2009	2008	2007	2006	2005
Population	8,597	8,597	8,618	8,649	8,731
County Equalized Valuation	\$ 1,620,917,444	\$ 1,531,764,254	\$ 1,499,354,733	\$ 1,328,159,456	\$ 1,160,529,432
Gross Direct Debt	\$ 43,293,996	\$ 27,038,165	\$ 27,768,560	\$ 27,718,735	\$ 27,628,871
Gross Debt Per Capita	\$ 5.036	\$ 3.145	\$ 3.222	\$ 3.205	\$ 3.164
Ratio of Gross Debt to County Equalized Valuations	2.67%	1.77%	1.85%	2.09%	2.38%
Net Debt	\$ 9,467,408	\$ 9,782,308	\$ 9,617,546	\$ 8,670,962	\$ 8,424,405
Ratio of Net Debt to County Equalized Valuations	0.58%	0.64%	0.64%	0.65%	0.73%
Net Debt per Capita	\$ 1,101	\$ 1,138	\$ 1,116	\$ 1,003	\$ 965

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX D

[Proposed Form of Bond Counsel Opinion]

July ___, 2010

The Board of Education of the
Borough of Leonia, in the
County of Bergen, New Jersey

Dear Board Members:

We have acted as bond counsel in connection with the issuance of \$17,350,000 aggregate principal amount of School Bonds (the "Bonds") by The Board of Education of the Borough of Leonia, in the County of Bergen, a school district of the State of New Jersey (the "Board" or "School District"). The Bonds are dated July 15, 2010 and comprise an issue of registered bonds. The Bonds bear interest from their date payable on each January 15 and July 15, commencing January 15, 2011 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on July 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$100,000	%	2021	\$ 920,000	%
2012	315,000		2022	960,000	
2013	500,000		2023	1,005,000	
2014	550,000		2024	1,050,000	
2015	580,000		2025	1,100,000	
2016	625,000		2026	1,150,000	
2017	770,000		2027	1,205,000	
2018	810,000		2028	1,260,000	
2019	850,000		2029	1,320,000	
2020	900,000		2030	1,380,000	

The Bonds maturing on or before July 15, 2020 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after July 15, 2021 are subject to redemption at the option of the Board prior to maturity, in whole on any date or in part on any Interest Payment Date on or after July 15, 2020, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Board determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Board, and within any maturity, by lot.

The Bonds are issued pursuant to Chapters 22 and 24 of Title 18A, Education, of the New Jersey Statutes, as amended, and pursuant to a resolution duly adopted by a majority of the legal voters of the School District voting thereon at a special school election held on September 29, 2009 (the "Election") and resolutions adopted by the Board of Education on June 15, 2010.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Board with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Board has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Board's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Board, in executing the Tax Certificate, will certify to the effect that the Board expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the resolutions referred to above, a true copy of proceedings taken for the Election and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Business Administrator/Board Secretary of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Board in connection with the issuance and sale of the Bonds, or (ii) other documents of the Board delivered to the purchasers of the Bonds, and we take no responsibility therefor.

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

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Board enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Board has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Bonds and the interest thereon are payable from ad valorem taxes levied on all taxable real property in the School District, without limitation as to rate or amount.

The Board of Education
of the Borough of Leonia
July ___, 2010
Page 4

3. Assuming compliance by the Board with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; nor is it included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC