PRELIMINARY OFFICIAL STATEMENT DATED JULY 20, 2010

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.

$2,679,000
SCHOOL BONDS
THE BOARD OF EDUCATION OF THE BOROUGH OF PROSPECT PARK, IN THE COUNTY OF PASSAIC, NEW JERSEY
(Book-Entry Only) (Bank-Qualified)
(Callable)

Dated: August 1, 2010 **Due: August 1, as shown below**

The School Bonds (the "Bonds") of The Board of Education of the Borough of Prospect Park, in the County of Passaic, 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 $1,000 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 August 1 of each of the years set forth below, and interest on the Bonds is payable on each February 1 and August 1, commencing February 1, 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

Year	Amount Maturing	Interest Rate	Yield or Price	Year	Amount Maturing	Interest Rate	Yield or Price
2011	$ 50,000	%	%	2019	$260,000	%	%
2012	50,000			2020	260,000		
2013	50,000			2021	270,000		
2014	50,000			2022	270,000		
2015	50,000			2023	270,000		
2016	50,000			2024	275,000		
2017	250,000			2025	274,000		
2018	250,000						

(plus accrued interest from August 1, 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 August 5, 2010.

ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 A.M. ON JULY 27, 2010
IN THE BOARD OF EDUCATION OFFICE
290 NORTH 8TH STREET
PROSPECT PARK, NEW JERSEY 07508

THE BOARD OF EDUCATION OF THE BOROUGH OF PROSPECT PARK
IN THE COUNTY OF PASSAIC, NEW JERSEY

MEMBERS OF THE BOARD

Albert Demarest, President
Paul J. Birch, Vice President
Thomas F. X. Magura
Alejandro Makino
Stephen Miller
Jose Pantoja
William Willemsen

SUPERINTENDENT

Dr. James F. Barriale

SCHOOL BUSINESS ADMINISTRATOR /BOARD SECRETARY

Michael R. Jordan

BOARD AUDITOR

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

BOARD ATTORNEY

Lindabury, McCormick, Estabrook & Cooper, P.C.
Westfield, New Jersey

BOND COUNSEL

Rogut McCarthy LLC
Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by The Board of Education and the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by The Board of Education and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the Federal Securities Law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
BOROUGH OF PROSPECT PARK
IN THE COUNTY OF PASSAIC, NEW JERSEY

$2,679,000 SCHOOL BONDS

INTRODUCTION

This Official Statement, which includes the front cover page hereof and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Prospect Park in the County of Passaic, New Jersey ("Board" or "Board of Education" when referring to the governing body or legal entity, and "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and the issuance of its $2,679,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the School Business Administrator/Board Secretary and its distribution and use in connection with the sale of the Bonds has been authorized by the Board.

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.

DESCRIPTION OF THE BONDS

The Bonds shall be dated August 1, 2010 and shall mature on August 1 in the years and in the principal amounts as set forth below. The Bonds shall bear interest from their dated date, payable on each February 1 and August 1, commencing February 1, 2011 (each, an "Interest Payment Date"), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the School Business Administrator/Board Secretary, acting as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth 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 and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of $1,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. 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 Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

Maturity Schedule

Year	Amount Maturing	Year	Amount Maturing
2011	$ 50,000	2019	$260,000
2012	50,000	2020	260,000
2013	50,000	2021	270,000
2014	50,000	2022	270,000
2015	50,000	2023	270,000
2016	50,000	2024	275,000
2017	250,000	2025	274,000
2018	250,000		

PRIOR REDEMPTION

The Bonds maturing on or before August 1, 2020 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 1, 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 August 1, 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 by $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 Bond 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.

AUTHORIZATION FOR THE BONDS

The Bonds are authorized and are issued pursuant to Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by The Board of Education on February 17, 2009 and approved by a majority of legal voters of the School District voting thereon on April 21, 2009 and by resolutions of The Board of Education adopted June 15, 2010.

On June 9, 2010, the Board received the approval of 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.

PURPOSE OF ISSUE AND USE OF PROCEEDS

Proceeds of the Bonds will be used to finance the improvement of School # 1 by the construction of a four Pre-Kindergarten classroom addition, including ancillary support space, installation of a new emergency generator, replacement of boilers, other pre-school and building system improvements, and solely with respect to the classroom addition, if bond or note proceeds are available, the acquisition of new furniture, equipment and apparatus. The total project cost is $4,256,717 and the Board anticipates an Educational Facilities Construction and Financing grant from the State in the amount of $1,576,795.

MARKET PROTECTION

The Board does not have any additional authorized and unissued debt. The Board does not anticipate conducting any bond referendums for the next several years.

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.

SECURITY FOR THE BONDS

General

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

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 the payment of the Bonds insofar as any such constraints 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 New Jersey Local Finance Board.

SCHOOL BOND RESERVE ACT (N.J.S.A. 18A:56-17 et seq.)

The Bonds are entitled to the benefits of the provisions of the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, as amended by P.L. 2003, c. 118 (the "School Bond Reserve Act"), and accordingly, the Bonds will bear the following legend as required thereby:

"Payment of this obligation is secured under the provisions of the 'New Jersey School Bond Reserve Act', in accordance with which an amount equal to 1% of the aggregate outstanding bonded indebtedness (but not to exceed the moneys available in the fund), of New Jersey counties, municipalities and school districts for school purposes as of September 15 of each year, is held within the State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payments of principal and interest due on such obligations in the event of the inability of the issuer to make payment."

The major change made by the 2003 amendments to the School Bond Reserve Act was to reduce the reserve level to 1% for bonds issued on or after the effective date of the legislation (July 1, 2003) by creating an old reserve account (for bonds issued prior to July 1, 2003, with a 1.5% reserve level (the old statutory reserve level)) and a new reserve account (for bonds issued on or after July 1, 2003, with a 1% reserve level) (collectively, the "School Bond Reserve"). In addition, various changes were made to the School Bond Reserve Act that were intended to strengthen the School Bond Reserve. These changes are discussed below and included cross-collateralization, State-aid intercept and annual replenishment provisions.

The School Bond Reserve 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 minimum market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. The trustees of the State Fund for the Support of Free Public Schools (the "Fund"), which consist of the Governor, the Attorney General, the Secretary of State, the State Comptroller, the State Treasurer and the Commissioner of Education, are to determine, on or before September 15 of each year, the aggregate amount of school purpose bonds issued and outstanding and to maintain the old school bond reserve account and the new school bond reserve account at the appropriate levels for the ensuing year based upon annual market valuations of the obligations invested. The funds that are set aside in the old school bond reserve account are pledged as security for the prompt payment to holders of bonds issued prior to July 1, 2003 for school purposes by counties, municipalities and school districts of the principal of and interest on such bonds in the event of the inability of the issuer to make payment. The funds that are set aside in the new school bond reserve account are pledged as security for the prompt payment to holders of bonds issued on or after July 1, 2003 for school purposes by counties, municipalities and school districts of the principal of and interest on such bonds in the event of the inability of the issuer to make payment. The two school bond reserve accounts are cross-collateralized.

Trustees of the Fund are charged with making an annual determination of the amount of school bonds outstanding and with adjusting the level of each of the reserve accounts accordingly, to the extent that moneys are available in the Fund. The School Bond Reserve Act provides that moneys received from the sale of lands belonging to the State as of 1980 or formerly lying under water are dedicated to the support of public schools and shall constitute a part of the Fund. In the event that proceeds from the sale of State riparian interests are, in the future, made payable by law to purposes other than the Fund, they may not be applied to such purposes so long as there is a deficit in the School Bond Reserve. The State Treasurer is required, subject to the availability of other State funds, to replenish any deficiencies in the School Bond Reserve accounts on an annual basis. Further, the State is prohibited from borrowing from the Fund for liquidity purposes unless the reserve accounts are at their required levels measured annually.

Under the School Bond Reserve Act, the School Bond Reserve is pledged as security for the prompt payment of principal of and interest on bonds issued by counties, municipalities and school districts for school purposes in the event any issuer thereof is unable to make payment. Any issuer that anticipates that it will be unable to make such payment is instructed to certify its inability to the Commissioner of Education and the Director of the Division of Local Government Services at least 10 days prior to the date payment is due. If the Commissioner and the Director approve the certification, they then certify the same to the Fund trustees. On receipt of the certification or other notice of the inability of a district to make a debt service payment, the trustees are required, within the limits of the School Bond Reserve, to purchase such bonds at the face amount or pay such interest when due. The amount that may be applied to any one issuer’s bonds is not limited. There is a State-aid intercept mechanism to replenish draws on the School Bond Reserve. 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.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com and www.dtc.org**.

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

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

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

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 the 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 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants 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. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

THE SCHOOL DISTRICT AND THE BOARD

The School District is a Type II school district educating students in grades Pre-Kindergarten (Pre-K) through grade eight (8) and is coterminous with the boundaries of the Borough of Prospect Park, in the County of Passaic (the "Borough"). The School District operates one school building.

The Board is a comprised of seven (7) members elected from the Borough of Prospect Park. The Superintendent of Schools is the chief administrative officer of the School District. The School Business Administrator/Board Secretary oversees the Board's business functions and reports through the Superintendent of Schools.

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

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

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I district, or the board of education in a Type II district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district without a board of school estimate.

School Budget Process (N.J.S.A. 18A:22-1 <u>et</u> <u>seq</u>.)

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 of education. If the board of education 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 of education 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.

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., 1975 N.J. Laws c. 212 (as amended and partially repealed) (as hereinafter defined), limited the annual increase of any school district's net current expense budget. The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., 1990 N.J. Laws c. 52 (now repealed) (as defined herein), 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 Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., 1996 N.J. Laws c. 138 (CEIFA), (as amended by P.L. 2004, c.73, effective July 1, 2004) limits the annual increase in a school district's net budget by a spending growth limitation. Assembly Bill A1 ("A1"), which was approved as P.L. 2007, c. 62, effective April 3, 2007, further amends the limitations on a school district's ability to increase its net budget by placing a 4% cap on the amount that can be raised by property taxation in a given year for school district purposes (excluding debt service payments) over the prior budget year's tax levy. Parts of CEIFA have been found to be unconstitutional. *See* "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

Although P.L. 2007, c. 62 allows for certain adjustments to the 4% tax levy cap, for increases in enrollment, reductions in certain State aid and increases in health care costs, the bill also grants discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges for sending districts. The Commissioner will have the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012. The Commissioner must also review every proposed local school district budget for the next school year. Every budget submitted must provide no less than the minimum permissible T&E budget. The Commissioner shall not approve any budget unless the Commissioner is satisfied that the district has adequately implemented within the budget, the Core Curriculum Content Standards set forth in CEIFA. If necessary, the Commissioner is authorized to order changes in the local school district's budget.

Spending Growth Limitation

P.L. 2007, c. 62 supercedes the prior budget limitations created by CEIFA (as amended by .L. 2004, c.73, effective July 1, 2004) which placed limits on the amount school districts can increase their annual current expenses and capital outlay budgets, such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). *See* "SUMMARY OF STATE AID TO SCHOOL DISTRICTS" herein.

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 of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the district has adequately implemented within the budget the Core Curriculum Content Standards required by State law. If necessary, the Commissioner is authorized to order changes in the local school district’s budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

Tax and Spending Limitations

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

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

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

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

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

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 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.

A new property tax cap statute was recently enacted into law by the State which will impose a 2% cap on property tax increases subject to limited exceptions, including debt service and increases in pension and health care expenses. This statute will take effect for the 2011-2012 fiscal year for school districts. Companion legislation and regulations are expected to be enacted over the next several months in order to implement the new cap.

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years, (ii) debt must be authorized by a resolution of a board of education (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 of education 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 of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board.

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

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

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, 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 Pre-Kindergarten (Pre-K) through grade eight (8) school district, the School District can borrow up to 3% 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 equalization was 0.92%. The School District has not exceeded its 3% debt limit. *See* "APPENDIX A – School District Debt Limit and Borrowing Margin."

Exceptions to Debt Limitation

A Type II school district, (other than a regional district), may also utilize its constituent municipality's remaining statutory borrowing power (i.e. the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The School District has not utilized the 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 these 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

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

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

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".

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.

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

Due to the State's current budget concerns, the State has notified the Board that it will not provide all aid previously budgeted in fiscal year 2010, and next year there will likely be additional cuts. $1,034,857 of the Board's State aid was withheld through the end of the 2010 fiscal year. The Board developed a plan that involved cutting back expenditures for the remainder of the 2010 fiscal year and monitored whether it needed to transfer funds from reserves or fund balances. The Board has been alerted that funding for the 2011 fiscal year will also be affected. The Governor has issued an announcement that he intends to cut aid significantly for fiscal year 2011. Projected State aid figures released by the Department of Education on March 17, 2010 reflect a decrease in formula-based aid from $7,897,651 for fiscal year 2010 to $7,361,853 for fiscal year 2011.

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

The School Refunding Reform Act of 2008

The School Funding Reform Act of 2008 (the "SFRA") was 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 at 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 comprised the Adequacy Budget and the various 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 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 Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. § 6301 et seq., is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Federal aid is generally received in the form of block grants.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the 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 Director of Taxation is $420,517,897.

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 0.82%. 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 of the Borough 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.

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.

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

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

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

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

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

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the 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.

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 Passaic County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the 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.

Tax Appeals

The New Jersey Statues provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the 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 Passaic County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey, for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations 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 basic financial statements of the Board for the year ended June 30, 2009 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, an independent auditor (the "Auditor"), as stated in his report appearing in Appendix B to this Official Statement. See "APPENDIX B - Financial Statements of The Board of Education of the Borough of Prospect Park in the County of Passaic, New Jersey for the year ended June 30, 2009."

STATEMENT OF LITIGATION

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

TAX 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, 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.

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 Internal Revenue Code of 1986, as amended, 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 in 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.

Such firm 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 C, "Proposed Form of Bond Counsel Opinion".

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 School 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 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 or 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 therefore, 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 thereof, 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 any 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 hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm same to the purchasers of the Bonds, by a certificate signed by the School Business Administrator/Board Secretary.

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

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

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

RATING

Standard & Poor’s U.S. Public Finance Ratings ("Standard & Poor’s") has assigned an underlying rating of “_____” to the Bonds. In addition, Standard & Poor’s has assigned an enhanced rating of “_______” to the Bonds based upon the additional security provided by the New Jersey Bond Reserve Act.

An explanation of the significance of such credit rating may be obtained from Standard & Poor’s, 55 Water Street, New York, New York 10041. The Borough 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 any 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 any such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased at a public sale from the Board for resale by the purchasers (the “Underwriters”).

SECONDARY MARKET DISCLOSURE

The Board has agreed, pursuant to a resolution adopted on June 15, 2010, 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 the 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 that 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.

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 has never failed to provide required annual financial information.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Board will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the School Business Administrator/Board Secretary to deliver a reasonable number of copies thereof in final form to the 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 Michael R. Jordan, School Business Administrator/Board Secretary at (973) 720-1981.

MISCELLANEOUS

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

This Official Statement has been duly executed and delivered on behalf of the Board by the School Business Administrator/Board Secretary.

THE BOARD OF EDUCATION OF THE BOROUGH OF PROSPECT PARK, IN THE COUNTY OF BERGEN, NEW JERSEY

By: /s/________________________________
Michael R. Jordan
School Business Administrator/Board Secretary

Dated:

APPENDIX A

Economic and Demographic Information Relating to the School District and the Borough of Prospect Park

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE SCHOOL DISTRICT AND THE BOROUGH OF PROSPECT PARK, IN THE COUNTY OF PASSAIC, STATE OF NEW JERSEY

Summary

The public school system in the Borough of Prospect Park, in the County of Passaic, State of New Jersey (the "Borough") is operated by The Board of Education of the Borough of Prospect Park in the County of Passaic, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed thereby), as a Type II School District. It functions independently through a seven (7) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning and operational functions of the School District. The school district has one (1) school and utilizes a Pre-Kindergarten-Grade eight (8) configuration and provides a full range of educational services. This school includes class rooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, a cafeteria and gymnasium.

SCHOOL DISTRICT ENROLLMENT

Fiscal Year	Total School District Enrollment
2009-2010	885
2008-2009	884
2007-2008	837
2006-2007	836
2005-2006	844
2004-2005	820
2003-2004	756
2002-2003	748

Staff[1]

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

Description	
Teaching Staff (Including Aides)	119
Administrators and Principals	4
Professional and Office Staff	5
Custodial/Maintenance	5
Total	133

Labor Relations[2]

The Board has a three (3) year contract for the period July 1, 2008 through June 30, 2011 with the Prospect Park Education Association.

1 Source: School Business Administrator/Board Secretary; Board records

2 Source: School Business Administrator/Board Secretary; Board records

Comparison of General Fund Revenues and Appropriations

		(Budget) Fiscal Year 2010-2011		(Budget) Fiscal Year 2009-2010		(Actual) Fiscal Year 2008-2009		(Actual) Fiscal Year 2007-2008
GENERAL FUND								
REVENUES								
Budgeted Fund Balance	$	751,765	$	621,017				
Withdrawal from Tuition Reserve		80,000						
Local Sources:								
Local Tax Levy		2,485,637		2,425,012	$	2,389,174	$	2,389,174
Interest		2,000		19,000		24,170		60,800
Miscellaneous		17,000				1,243		322
Federal Sources		20,570		28,232		15,146		
State Sources		7,099,775		7,635,573		7,285,644		5,088,482
TOTAL REVENUES	$	10,456,747	$	10,728,834	$	9,715,377	$	7,538,778
APPROPRIATIONS								
Instruction:								
Regular Programs	$	3,359,072	$	3,447,951	$	3,492,293	$	2,498,460
Special Education		968,657		979,033		866,101		681,967
Basic Skills/Remedial		137,625		160,680		138,688		46,396
Bilingual Education		151,263		150,685		127,540		178,728
School-Sponsored Co-curricular Activities		-		4,000		3,100		3,000
Community Services Programs/Operations		-		32,760		23,100		
Undistributed Expenditures:								
Instruction		708,667		859,784		424,769		525,550
Health		59,830		79,700		46,252		26,080
Other Support Services - Related/Extra Svcs		334,146		332,215		221,812		246,222
Other Support Services - Regular		154,473		153,018		136,834		233,640
Other Support Services - Special		115,313		88,782		122,856		143,214
Media/Library		82,282		98,316		79,922		39,797
Instructional Staff Training		1,250		2,000		375		
General Administration		418,030		411,772		276,061		293,533
School Administration		333,804		329,079		286,261		310,197
Central Services & Admin. Info. Tech.		322,449		312,922		260,567		226,799
Operation & Maintenance of Plant Services		960,394		1,161,558		835,290		685,010
Transportation		441,880		471,400		134,273		228,198
Personnel Services - Employee Benefits		1,798,589		1,604,979		1,086,874		1,095,101
		10,347,724		10,680,634		8,562,968		7,461,892
Capital Outlay		62,823		2,000		72,616		8,539
Transfer of Funds to Charter Schools		46,200		46,200		15,567		-
TOTAL APPROPRIATIONS/EXPENDITURES	$	10,456,747	$	10,728,834	$	8,651,151	$	7,470,431

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

School District Debt Limit and Borrowing Margin[3]

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to three percent (3.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Borough and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Borough for the last three (3) years and the School District's available borrowing margin as of June 30, 2009 are summarized below:

Year	Amount
2007	$ 434,165,506
2008	434,855,105
2009	392,533,081
	$ 1,261,553,692

Average for the Three (3) Year Period	420,517,897
School District Borrowing Margin (3.0% of $420,517,897)	12,615,537
Net School Debt as of June 30, 2009	5,602,717
Available School District Borrowing Margin	$ 7,012,820

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT AS OF DECEMBER 31, 2009[4]

Net Debt of School District as of December 31, 2009	$ 3,885,922
Overlapping Debt of School District:	
Passaic County	2,689,399
Passaic County Utility Authority	467,321
Passaic Valley Sewerage Commission	452,183
Total Direct and Overlapping Bonded Debt	$ 7,494,825

3 Source: The Borough of Prospect Park 2009 Annual Debt Statement
4 Source: The Borough of Prospect Park 2009 Annual Debt Statement

**GENERAL INFORMATION OF THE BOROUGH OF PROSPECT PARK,
IN THE COUNTY OF PASSAIC, STATE OF NEW JERSEY**

Government Structure

The Borough of Prospect Park (the "Borough") operates under a Mayor and Council form of government. The Mayor is elected to serve a four-year term and may succeed that term by reelection. Six council members are elected at-large, two each year, for terms of three years.

Geographic Location and Size

The Borough of Prospect Park is located in southeastern Passaic County, New Jersey and is situated along the Passaic River between the municipalities of Haledon, North Haledon, Hawthorne and Paterson. It is approximately 11 miles southwest of New York City and encompasses an area of 0.45 square miles.

Transportation

The Borough is located minutes from major highways such as Interstate Highways 80 and 287, State Routes 208, 4, 46 and 17 and the Garden State Parkway. New Jersey Transit provides bus service from the Borough to Manhattan and other points in Northern New Jersey.

All major airports, Kennedy, LaGuardia, Newark and Teterboro, as well as the New York and New Jersey ports, are accessible to Prospect Park.

Population Trends[5]

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

	1970	1980	1990	2000	2008
Borough of Prospect Park	5,176	5,142	5,053	5,779	5,594
County of Passaic	460,782	447,585	453,060	489,049	490,948
State of New Jersey	7,171,112	7,364,823	7,730,188	8,414,350	8,682,661

[5] Source: State of New Jersey, Data Center, Census Data

Employment and Unemployment Data[6]

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

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Borough of Prospect Park				
2009	3,156	2,702	454	14.4%
2008	3,045	2,788	257	8.4%
2007	2,968	2,773	195	6.6%
2006	2,946	2,760	186	6.3%
2005	2,889	2,711	178	6.2%
County of Passaic				
2009	244,700	217,300	27,400	11.2%
2008	240,400	224,000	16,400	6.8%
2007	237,600	224,900	12,700	5.3%
2006	238,700	225,300	13,400	5.6%
2005	236,900	223,900	13,000	5.5%
State of New Jersey				
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%
2007	4,462,300	4,271,700	190,600	4.3%
2006	4,492,800	4,283,600	209,200	4.7%
2005	4,431,600	4,232,800	198,800	4.5%

[6] Source: State of New Jersey Data Center

STATEMENT OF STATUTORY NET DEBT
FOR THE BOROUGH OF PROSPECT PARK[7]
AS OF DECEMBER 31, 2009

GENERAL PURPOSES				
Bonds, Loans and Notes Issued and Outstanding				
Bonds	$	2,179,000		
Notes		1,091,650		
Bonds and Notes Authorized But Not Issued		163,420		
			$	3,434,070
LOCAL SCHOOL				
Debt Issued and Outstanding		1,206,000		
Bonds Authorized But Not Issued		2,679,922		
				3,885,922
TOTAL GROSS DEBT				7,319,992
STATUTORY DEDUCTIONS				
School Debt		3,885,922		
Reserve for Debt Service		3,651		
				3,889,573
TOTAL NET DEBT			$	3,430,419
OVERLAPPING DEBT				
Passaic County (1)		2,689,399		
Passaic County Utility Authority (1)		467,321		
Passaic Valley Sewerage Commission (2)		452,183		
TOTAL OVERLAPPING DEBT			$	3,608,903
GROSS DEBT				
Per Capita (2008 Census - 5,594)			$	1,309
Percent of Net Valuation Taxable (2009 - $181,767,750)				4.03%
Percent of Estimated True Value of Real Property (2009 - $ 437,588,586)				1.67%
NET MUNICIPAL DEBT				
Per Capita (2008 Census - 5,594)			$	613
Percent of Net Valuation Taxable (2009 - $181,767,750)				1.89%
Percent of Estimated True Value of Real Property (2009 - $ 437,588,586)				0.78%
OVERALL DEBT (Gross and Overlapping Debt)				
Per Capita (2008 Census - 5,594)			$	1,954
Percent of Net Valuation Taxable (2009 - $181,767,750)				6.01%
Percent of Estimated True Value of Real Property (2009 - $ 437,588,586)				2.50%

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

Note 2: Overlapping debt was computed based on usage.

[7] Source: The Borough of Prospect Park's 2009 Annual Debt Statement

Ten Largest Taxpayers[8]

The ten largest taxpayers in the Borough and their 2010 assessed valuations are listed below:

Taxpayer	Assessment
Tilcon, NJ Inc.	$ 4,431,700
Schon Family LLC	1,300,000
Hazen Realty LLC	1,252,500
Tilcon, NJ Inc.	980,200
D&S Acquisitions	950,000
Jackson Realty & GL Orson Realty LLC	924,400
Normed Realty LLC	655,100
Individual Taxpayer	647,700
Lont & Overcamp	505,200
US Bank National Association	504,300
	$ 12,151,100

Assessed Valuations/Land and Improvements by Class[9]

Year	Vacant Land	Residential	Commercial	Industrial	Total
2009	$ 3,115,200	$ 160,946,100	$ 14,729,550	$ 2,755,700	$ 181,546,550
2008	3,115,200	160,822,300	14,728,350	2,755,700	181,421,550
2007	3,155,200	160,051,300	14,911,150	2,755,700	180,873,350
2006	3,195,200	159,799,100	14,986,750	2,757,400	180,738,450
2005	3,090,200	159,916,200	14,541,650	2,757,400	180,305,450

Assessed Valuations/Net Valuation Taxable[10]

Year	Real Property	Business Personal Property	Net Valuation Taxable	Ratio of Assessed Value to True Value of Real Property	Total True Value of Assessed Property
2009	$ 181,546,550	$ 221,200	$ 181,767,750	41.72%	$ 437,588,586
2008	181,421,550	218,000	181,639,550	41.66%	437,891,819
2007	180,873,350	224,100	181,097,450	46.08%	394,772,525
2006	180,738,450	238,200	180,976,650	52.85%	344,156,105
2005	180,305,450	269,100	180,574,550	61.55%	295,088,984

[8] Borough of Prospect Park Tax Assessor
[9] Borough of Prospect Park Tax Duplicates
[10] Passaic County Abstract of Ratables

Components of Real Estate Tax Rate (per $100 of Assessment)[11]

Year	Total	Municipal	Local School	Regional School	County (1)
2009	5.865	1.695	1.442	1.515	1.213
2008	5.721	1.588	1.423	1.493	1.217
2007	5.220	1.522	1.428	1.191	1.079
2006	4.920	1.437	1.430	1.054	0.999
2005	4.430	1.318	1.333	0.920	0.859

(1) Includes Open Space tax

[11] Borough of Prospect Park Tax Collector

APPENDIX B

**Financial Statements of The Board of Education of
the Borough of Prospect Park in the County of Passaic, New Jersey
for the Year Ended June 30, 2009**

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Trustees
Prospect Park Board of Education
Prospect Park, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Prospect Park Board of Education as of and for the fiscal year ended June 30, 2009, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Prospect Park Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2009 on our consideration of the Prospect Park 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's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prospect Park Board of Education's basic financial statements. The accompanying introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance 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, financial schedules and statistical section 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.

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

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
October 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of Prospect Park Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-2009 fiscal year include the following:

- The assets of the Prospect Park Board of Education exceeded its liabilities at the close of the fiscal year by $9,121,084. (Net Assets)

- The District's total net assets increased by $682,015 from June 30, 2008.

- Overall revenues were $11,881,054. General revenues accounted for $8,717,647 or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,163,407 or 27% of total revenues.

- The school district had $10,842,058 in expenses for governmental activities; only $2,752,539 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of $8,717,194 were adequate to provide for these programs.

- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of $2,123,228.

- The General Fund unreserved/undesignated budgetary fund balance at June 30, 2009 was $290,809, which represents an increase of $13,061 compared to the ending fund balance at June 30, 2008 of $277,748.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the the activities the district operated like *businesses.*
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this Annual Report are arranged and related to one another.

Figure A-1

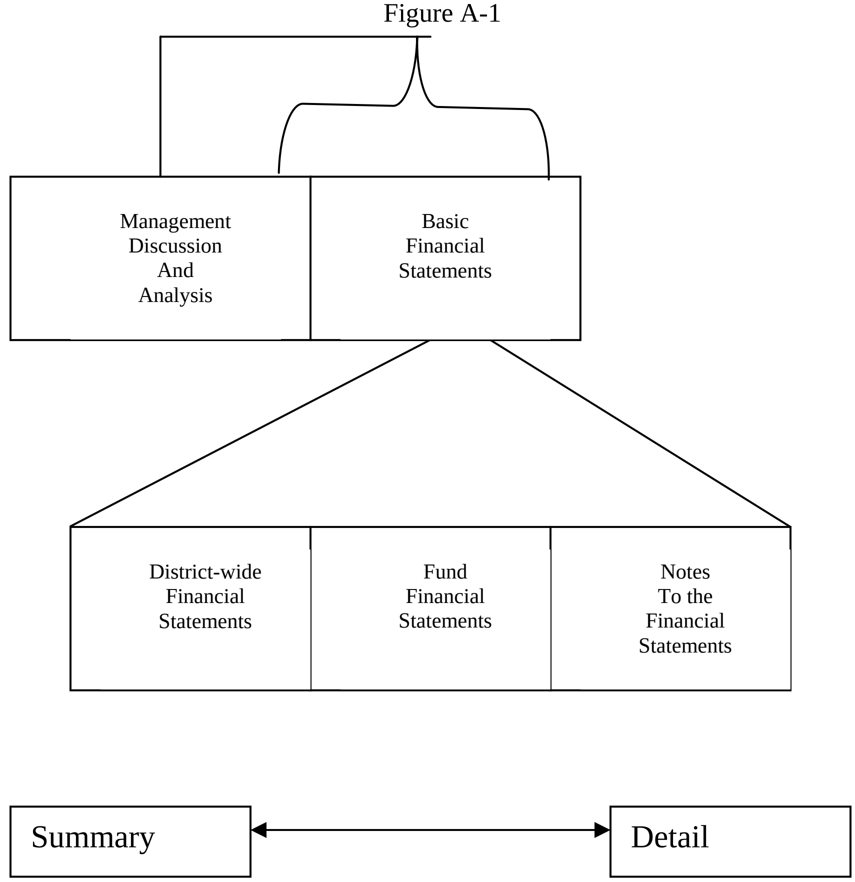


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district(except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, building maintenance, transportation, and administration.	Activities the district operates similar to private businesses: Enterprise Funds	Instances in which the district administers resources on behalf of someone else, such as payroll deduction.
Required financial Statements	Statements of net assets Statement of activities	Balance Sheet Statement of Revenue, expenditures and changes in fund balances	Statement of Net Assets Statement of revenue, expenses, and changes in fund net assets, Statement of cash flows	Statements of Fiduciary net assets.
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and plant operation and maintenance. Property taxes and Federal and State aid finances most of these activities.

- *Business-Type Activities* – Services for which the District charges a fee are reported in these financial statements.

Fund Financial Statements

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

- Some funds are required by State law and bond covenants.

- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

• *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

• *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District currently has one proprietary fund, that being the food service (cafeteria) program.

• *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's *combined* net assets were $9,121,084 and $8,439,069 as of June 30, 2009 and 2008, respectively.

Net Assets
As of June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current Assets	$ 4,380,013	$ 2,340,218	$ 115,807	$ 83,180	$ 4,495,820	$ 2,423,398
Capital Assets	8,285,801	8,363,380	43,736	21,034	8,329,537	8,384,414
Total Assets	12,665,814	10,703,598	159,543	104,214	12,825,357	10,807,812
Long-Term Liabilities	1,423,348	1,558,141			1,423,348	1,558,141
Other Liabilities	2,278,595	809,261	2,330	1,341	2,280,925	810,602
Total Liabilities	3,701,943	2,367,402	2,330	1,341	3,704,273	2,368,743
Net Assets						
Invested in capital assets, net of related debt	6,939,801	6,882,380	43,736	21,034	6,983,537	6,903,414
Restricted	671,558	370,345			671,558	370,345
Unrestricted	1,352,512	1,083,471	113,477	81,839	1,465,989	1,165,310
Total Net Assets	$ 8,963,871	$ 8,336,196	$ 157,213	$ 102,873	$ 9,121,084	$ 8,439,069

The District's total net assets of $9,121,084 at June 30, 2009 represents a $682,015 or 8%, increase from the prior year.

PROSPECT PARK BOARD OF EDUCATION

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

Change in Net Assets
For The Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services			$ 91,418	$ 73,249	$ 91,418	$ 73,249
Operating Grants and Contributions	$ 2,752,539	$ 3,523,422	319,450	262,346	3,071,989	3,785,768
General Revenues						
Property Taxes	2,585,202	2,585,834			2,585,202	2,585,834
Unrestricted State Aid	6,106,579	4,472,662			6,106,579	4,472,662
Other	25,413	61,122	453	712	25,866	61,834
Total Revenues	**11,469,733**	**10,643,040**	**411,321**	**336,307**	**11,881,054**	**10,979,347**
Expenses						
Instruction						
Regular	5,168,739	4,955,636			5,168,739	4,955,636
Special Education	1,610,460	1,607,336			1,610,460	1,607,336
Other Instruction	329,103	294,280			329,103	294,280
School Sponsored Activities and Athletics	34,607	4,497			34,607	4,497
Support Services						
Student and Instruction Related Services	1,477,032	1,573,891			1,477,032	1,573,891
General Administration Services	331,882	379,037			331,882	379,037
School Administration Services	376,567	455,551			376,567	455,551
Business/Central Services	318,462	305,213			318,462	305,213
Plant Operations and Maintenance	910,148	774,045			910,148	774,045
Pupil Transportation	226,181	239,015			226,181	239,015
Interest on Debt	58,877	64,589			58,877	64,589
Food Services	-	-	356,981	324,845	356,981	324,845
Total Expenses	**10,842,058**	**10,653,090**	**356,981**	**324,845**	**11,199,039**	**10,977,935**
Change in Net Assets	**627,675**	**(10,050)**	**54,340**	**11,462**	**682,015**	**1,412**
Net Assets, Beginning of Year	**8,336,196**	**8,346,246**	**102,873**	**91,411**	**8,439,069**	**8,437,657**
Net Assets, End of Year	**$ 8,963,871**	**$ 8,336,196**	**$ 157,213**	**$ 102,873**	**$ 9,121,084**	**$ 8,439,069**

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were $11,469,733 for the year ended June 30, 2009, property taxes of $2,585,202 represented 23% of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was $8,859,118 represented 77% of revenues. In addition, miscellaneous income is earned which includes items such as interest, prior year refunds and other miscellaneous items (See Table A-3).

The total cost of all governmental activities programs and services was $10,842,058. The District's expenses are predominantly related to educating and caring for students. Instruction totaled $7,142,909 (66%) of total expenses. Support services total $3,640,272 (34%) of total expenses and interest on debt totaled $58,877 (less than 1%) total expenses (See Table A-4).

Total governmental activities revenues exceeded expenses, increasing net assets $627,675 from the previous year.

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

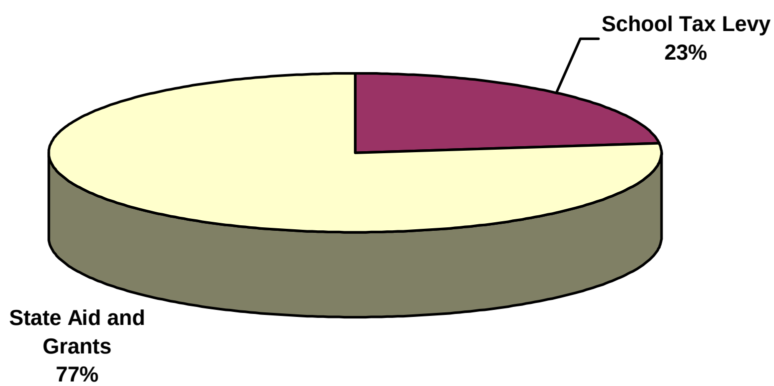
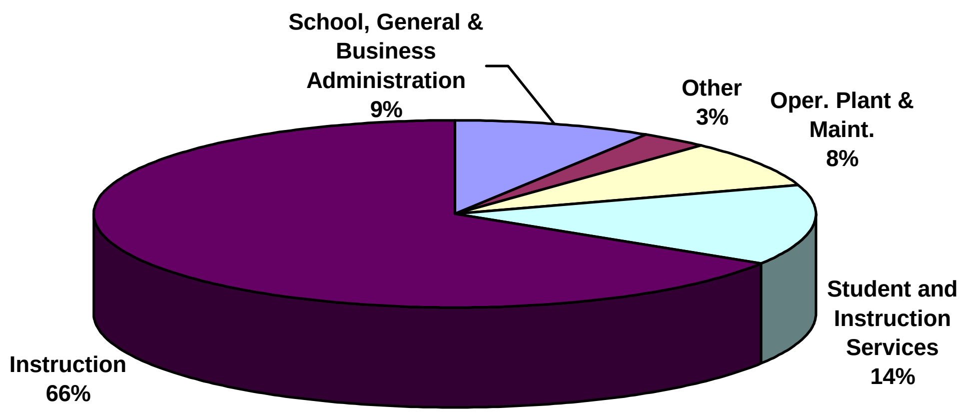


Table A-4
Expenses by Use – Governmental Activities
For Fiscal Year 2009



Total and Net Cost of Governmental Activities. The District's total cost of services was $10,842,058 and $10,653,090 for fiscal years ended June 30, 2009 and 2008, respectively. After applying program revenues, derived from operating grants and contributions of $2,752,539 and $3,523,422, the net cost of services of the District is $8,089,519 and $7,129,668 for the fiscal years ended June 30, 2009 and 2008, respectively.

Total and Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction				
Regular	$ 5,168,739	$ 4,955,636	$ 4,048,976	$ 3,099,366
Special Education	1,610,460	1,607,336	1,032,622	1,008,625
Other Instruction	329,103	294,280	282,962	135,030
School Sponsored Activities and Athletics	34,607	4,497	30,514	3,685
Support Services				
Student and Instruction Related Services	1,477,032	1,573,891	935,994	895,100
General Administration Services	331,882	379,037	304,704	327,401
School Administration Services	376,567	455,551	345,755	396,663
Business/Central Services	318,462	305,213	303,307	283,775
Plant Operations and Maintenance	910,148	774,045	647,549	774,045
Pupil Transportation	226,181	239,015	98,259	141,389
Interest on Debt	58,877	64,589	58,877	64,589
Total	**$ 10,842,058**	**$ 10,653,090**	**$ 8,089,519**	**$ 7,129,668**

Business-Type Activities – The District's total business-type activities revenues were $411,321 for the year ended June 30, 2009. Charges for services accounted for $91,418 or 22% of total revenues. Operating grants and contributions accounted for $319,450 or 78% of total revenue for the year.

Total cost of all business-type activities programs and services was $356,981. The District's expenses are related to Food Service programs.

Total business-type activities revenues surpassed expenses, increasing net assets by $54,340 over the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of $2,123,228, an increase of $568,309 from last year's fund balance of $1,554,919.

Revenues for the District's governmental funds were $11,469,733, while total expenses were $10,901,424.

GENERAL FUND

The General fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through Grade 8.

The following schedule presents a comparison of General Fund Revenues for the fiscal years ended June 30, 2009 and 2008:

	Year Ended June 30, 2009	Year Ended June 30, 2008	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 2,389,174	$ 2,389,174		0%
Other	25,413	61,122	$ (35,709)	(58)%
State Sources	7,530,138	5,951,167	1,578,971	27%
Federal Sources	15,146	-	15,146	
Total General Fund Revenues	$ 9,959,871	$ 8,401,463	$ 1,558,408	19%

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

	Year Ended June 30, 2009	Year Ended June 30, 2008	Amount of Increase (Decrease)	Percent Increase (Decrease)
Instruction	$ 6,462,449	$ 5,369,212	$ 1,093,237	20%
Support Services	2,798,672	3,001,480	(202,808)	(7)%
Capital Outlay	72,616	13,444	59,172	440%
Total Expenditures	$ 9,333,737	$ 8,384,136	$ 949,601	11%

Total General Fund expenditures increased $949,601 or 11% from the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

In 2008-2009 General Fund revenues exceeded expenditures by $626,134. Therefore, total fund balance increased to $2,212,857 at June 30, 2009. After deducting statutory reserves, the unreserved, undesignated fund balance decreased from a deficit of $9,295 at June 30, 2008 to a deficit of to $434,326 at June 30, 2009. This deficit is attributable to the delay of certain state aid payments until the subsequent fiscal year. This fund balance deficit does not indicate that the District is facing financial difficulties.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal years 2009 and 2008, the District had $8,329,537 and $8,384,414 invested in land, buildings, furniture, equipment and vehicles, net of accumulated depreciation, respectively. The following are the June 30, 2009 and 2008 balances.

Capital Assets at June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 39,658	$ 39,658			$ 39,658	$ 39,658
Construction In Progress	73,227	-			73,227	-
Buildings and Building Improvements	10,155,846	10,155,846			10,155,846	10,155,846
Machinery and Equipment	186,433	124,379	$ 63,724	$ 35,879	250,157	160,258
	10,455,164	10,319,883	63,724	35,879	10,518,888	10,355,762
Less Accumulated Depreciation	(2,169,363)	(1,956,503)	(19,988)	(14,845)	(2,189,351)	(1,971,348)
Total Capital Assets, Net	$ 8,285,801	$ 8,363,380	$ 43,736	$ 21,034	$ 8,329,537	$ 8,384,414

LONG TERM LIABILITIES

At June 30, 2009 and 2008 the District had $1,423,348 and $1,558,141 in long-term liabilities, respectively. Of this amount, $77,348 and $77,141 is for compensated absences and $1,346,000 and $1,481,000 is for serial bonds for the years ended June 30, 2009 and 2008, respectively.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were for the following purpose:

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for clearing, resale, and gifts.

FACTORS BEARING ON THE DISTRICT'S FUTURE

While many factors influence the District's future, the availability of funding for special education needs and the economy will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the District's administration during the process of developing the fiscal year 2008-2009 budget. The primary concerns were the District's increasing student population, improvement of current academic programs, anticipated state and federal aid, an aging facility and its upkeep, as well as increasing salary and related benefit costs. While the District relies heavily on state aid, the administration was able to develop a sound 2009-2010 budget with a 0% tax increase for the second straight year. The District was also able to generate another substantial surplus from 2008-2009 through controlled spending and good planning. The District continues to utilize the maximum involvement with shared services with various agencies to reduce its expenses. Prospect Park also received the 2007 Safety Award from NJ Schools Association Insurance Group. This award allows the students to have fewer substitute teachers so the continuity of their education is maintained at the highest level. In addition, the taxpayers will realize a savings as the school district pays out lower insurance premiums.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, Prospect Park Board of Education, 290 North 8th Street, Prospect Park, NJ 07508.

BASIC FINANCIAL STATEMENTS

PROSPECT PARK BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 2,631,203	$ 73,358	$ 2,704,561
Receivables, net	1,748,810	36,900	1,785,710
Inventory		5,549	5,549
Capital Assets, net			
Not Being Depreciated	112,885		112,885
Being Depreciated	8,172,916	43,736	8,216,652
Total Assets	12,665,814	159,543	12,825,357
LIABILITIES			
Accounts Payable and Other Liabilities	468,435		468,435
Payable to State Government	54,124		54,124
Accrued Interest Payable	21,810		21,810
Unearned Revenue	1,734,226	2,330	1,736,556
Noncurrent Liabilities			
Due within one year	150,000		150,000
Due beyond one year	1,273,348	-	1,273,348
Total Liabilities	3,701,943	2,330	3,704,273
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,939,801	43,736	6,983,537
Restricted for			
Capital Projects	671,558		671,558
Unrestricted	1,352,512	113,477	1,465,989
Total Net Assets	$ 8,963,871	$ 157,213	$ 9,121,084

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

EXHIBIT A-2

PROSPECT PARK BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities							
Instruction							
Regular	$ 5,168,739		$ 1,119,763		$ (4,048,976)		$ (4,048,976)
Special Education	1,610,460		577,838		(1,032,622)		(1,032,622)
Other Instruction	329,103		46,141		(282,962)		(282,962)
School Sponsored Activities and Athletics	34,607		4,093		(30,514)		(30,514)
Support Services							
Student and Instruction Related Services	1,477,032		541,038		(935,994)		(935,994)
General Administration Services	331,882		27,178		(304,704)		(304,704)
School Administration Services	376,567		30,812		(345,755)		(345,755)
Business/Central Services	318,462		15,155		(303,307)		(303,307)
Plant Operations and Maintenance	910,148		262,599		(647,549)		(647,549)
Pupil Transportation	226,181		127,922		(98,259)		(98,259)
Interest on Debt	58,877	-	-	-	(58,877)	-	(58,877)
Total Governmental Activities	10,842,058	-	2,752,539	-	(8,089,519)	-	(8,089,519)
Business-Type Activities							
Food Service	356,981	$ 91,418	319,450	-	-	$ 53,887	53,887
Total Business-Type Activities	356,981	91,418	319,450	-	-	53,887	53,887
Total Primary Government	$ 11,199,039	$ 91,418	$ 3,071,989	$ -	(8,089,519)	53,887	(8,035,632)

	Governmental Activities	Business-type Activities	Total
General Revenues			
Taxes:			
Property Taxes, levied for general purposes	2,389,174		2,389,174
Property Taxes, levied for debt service	196,028		196,028
Unrestricted State Aid	6,106,579		6,106,579
Interest Earnings	24,170	453	24,623
Miscellaneous Income	1,243	-	1,243
Total General Revenues	8,717,194	453	8,717,647
Change in Net Assets	627,675	54,340	682,015
Net Assets, Beginning of Year	8,336,196	102,873	8,439,069
Net Assets, End of Year	$ 8,963,871	$ 157,213	$ 9,121,084

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

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FUND FINANCIAL STATEMENTS

PROSPECT PARK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 2,441,731	$ 189,472			$ 2,631,203
Receivables from Other Governments	35,587	136,428	$ 1,576,795	$ -	1,748,810
Total Assets	$ 2,477,318	$ 325,900	$ 1,576,795	$ -	$ 4,380,013
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 243,867	$ 134,913	$ 73,227		$ 452,007
Due to Other Funds	7,637				7,637
Payable to State Government		54,124			54,124
Deferred Revenue	4,166	153,265	1,576,795		1,734,226
Other Payable	8,791	-	-	-	8,791
Total Liabilities	264,461	342,302	1,650,022	-	2,256,785
Fund Balances					
Reserved for					
Encumbrances	102,843		510,755		613,598
Capital Reserve Account	671,558				671,558
Tuition Reserve	80,000				80,000
Emergency Reserve	250,000				250,000
Maintenance Reserve	170,000				170,000
Excess Surplus-Designated for Subsequent Year's Expenditures	621,017				621,017
Excess Surplus	751,765				751,765
Unreserved					
Undesignated (Deficit), Reported in					
General Fund	(434,326)				(434,326)
Special Revenue Fund		(16,402)			(16,402)
Capital Projects Fund	-	-	(583,982)	-	(583,982)
Total Fund Balances	2,212,857	(16,402)	(73,227)	-	2,123,228
Total Liabilities and Fund Balances	$ 2,477,318	$ 325,900	$ 1,576,795	$ -	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $10,455,164 and the accumulated depreciation is $2,169,363		8,285,801
The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:		(21,810)
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		
Serial Bonds Payable	$ (1,346,000)	
Compensated Absences	(77,348)	
		(1,423,348)
Net assets of governmental activities		$ 8,963,871

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Local Property Tax Levy	$ 2,389,174			$ 196,028	$ 2,585,202
Interest on Capital Reserve	1,214				1,214
Interest on Investments	22,956				22,956
Miscellaneous	1,243	$ 106	$ -	-	1,349
Total - Local Sources	2,414,587	106	-	196,028	2,610,721
State Sources	7,530,138	422,488			7,952,626
Federal Sources	15,146	891,240	-	-	906,386
Total Revenues	9,959,871	1,313,834	-	196,028	11,469,733
EXPENDITURES					
Current					
Instruction					
Regular Instruction	4,512,787	642,583			5,155,370
Special Education Instruction	1,608,854				1,608,854
Other Instruction	306,201	22,902			329,103
School-Sponsored Activities and Athletics	34,607				34,607
Support Services					
Student and Instruction Related Services	735,579	541,038			1,276,617
General Administration Services	331,882				331,882
School Administration Services	372,257				372,257
Business/Central Services	318,462				318,462
Plant Operations and Maintenance	906,219				906,219
Pupil Transportation	134,273	91,908			226,181
Debt Service					
Principal				135,000	135,000
Interest and Other Charges				61,029	61,029
Capital Outlay	72,616	-	73,227	-	145,843
Total Expenditures	9,333,737	1,298,431	73,227	196,029	10,901,424
Excess (Deficiency) of Revenues Over Expenditures	626,134	15,403	(73,227)	(1)	568,309
Net Change in Fund Balances	626,134	15,403	(73,227)	(1)	568,309
Fund Balance (Deficit), Beginning of Year	1,586,723	(31,805)	-	1	1,554,919
Fund Balance (Deficit), End of Year	$ 2,212,857	$ (16,402)	$ (73,227)	$ -	$ 2,123,228

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

EXHIBIT B-3

PROSPECT PARK BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Total net change in fund balances - governmental funds (Exhibit B-2)		$ 568,309
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.		
Capital Outlay	$ 145,843	
Depreciation Expense	(223,422)	
		(77,579)
In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):		
Compensated Absences		(207)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		135,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
Decrease in accrued interest		2,152
Change in net assets of governmental activities		$ 627,675

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement.

PROSPECT PARK BOARD OF EDUCATION
PROPRIETARY FUND
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	Enterprise Fund- Food Service
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 73,358
Intergovernmental Receivable	
State	1,020
Federal	35,880
Inventories	5,549
Total Current Assets	115,807
Capital Assets	
Equipment	63,724
Less: Accumulated Depreciation	(19,988)
Total Capital Assets, net	43,736
Total Assets	159,543
LIABILITIES	
Current Liabilities	
Unearned Revenue	2,330
Total Liabilities	2,330
NET ASSETS	
Invested in Capital Assets	43,736
Unrestricted	113,477
Total Net Assets	$ 157,213

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
PROPRIETARY FUND
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Enterprise Fund- Food Service
OPERATING REVENUES	
Charges for Services	
Daily Sales-Reimbursable Programs	$ 91,418
Total Operating Revenues	91,418
OPERATING EXPENSES	
Salaries and Benefits	99,343
Cost of Sales	240,385
Management Fee	9,000
Miscellaneous	3,110
Depreciation	5,143
Total Operating Expenses	356,981
Operating Loss	(265,563)
NONOPERATING REVENUES	
State Sources	
State School Lunch Program	9,996
State Breakfast Program	1,686
Federal Sources	
Fresh Fruits and Vegetable Program	36,264
National School Lunch Program	245,953
National Breakfast Program	25,551
Investment Earnings	453
Total Nonoperating Revenues	319,903
Change in Net Assets	54,340
Net Assets, Beginning of Year	102,873
Net Assets, End of Year	$ 157,213

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
PROPRIETARY FUND
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Enterprise Fund- Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	$ 91,418
Cash Payments for Employees Salaries and Benefits	(99,343)
Cash Payments to Suppliers for Goods and Services	(240,656)
Net Cash Provided (Used) by Operating Activities	(248,581)
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	289,729
Net Cash Provided (Used) by Noncapital Financing Activities	289,729
Cash Flows from Investing Activities	
Interest Received	453
Net Cash Provided by Investing Activities	453
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(27,845)
Net Cash Provided (Used) by Capital and Related Financing Activities	(27,845)
Net Increase in Cash and Cash Equivalents	13,756
Cash and Cash Equivalents, Beginning of Year	59,602
Cash and Cash Equivalents, End of Year	$ 73,358
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities	
Operating Income (Loss)	$ (265,563)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	5,143
Food Distribution Program - National School Lunch Program	14,077
Change in Assets and Liabilities	
Increase/(Decrease) in Deferred Revenue	989
(Increase)/Decrease in Inventory	(3,227)
Total Adjustments	16,982
Net Cash Provided (Used) by Operating Activities	$ (248,581)
Non-Cash Financing Activities	
Fair Value of Food Distribution Program - National School Lunch	$ 15,066

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2009

		Agency Fund
ASSETS		
Cash and Cash Equivalents	$	57,648
Due from Other Funds		7,637
Total Assets	$	65,285
LIABILITIES		
Payroll Deductions and Withholdings	$	57,583
Accrued Salaries and Wages		4,735
Due to Student Groups		2,967
Total Liabilities	$	65,285

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

EXHIBIT B-8

PROSPECT PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOT APPLICABLE

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Prospect Park Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Prospect Park Board of Education this includes general operations, food service and student related activities of the District.

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

B. District-wide and Fund Financial Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the government reports the following fund type:

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

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables and Payables

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

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

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

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

3. Inventories

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

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

4. Capital Assets

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets(Continued)

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

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

Assets	Years
Buildings	50
Building Improvements	50
Machinery and Equipment	5

5. Compensated Absences

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

6. Long-term obligations

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

7. Fund Equity

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Fund Equity (Continued)

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

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

Reserved for Emergency Reserve – This reserve was created to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

Reserved for Tuition Reserve – This reserve was created to represent foreseeable tuition adjustments and is required to be liquidated in the third year following the contract year with any remaining balance related to that contract year to be reserved and budgeted for property tax relief. The District has reserved $80,000 for the 2008/2009 contract year.

Reserved for Maintenance Reserve – This reserve was created to accumulate funds for the required maintenance of a facility in accordance with State statute.

8. Reclassifications

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2008/2009. During 2008/2009 the Board increased the original budget by $424,752. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

B. Deficit Fund Equity

The District has an unreserved/undesignated deficit fund balance of $434,326 in the General Fund and $16,402 in the Special Revenue Fund as of June 30, 2009 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2008/2009 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these state aid payments, the General Fund and Special Revenue Fund balance deficits do not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund balance deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of $450,728 is less than the deferred state aid payments.

The District has an accumulated deficit of $73,227 in the Capital Projects Fund as of June 30, 2009. This deficit is the result of the Board incurring expenditures for the school bond referendum, which was prior to the sale of school bonds or receipt of state aid. As the Board permanently finances these appropriations or receives state aid, the District will realize as revenues the proceeds of the financing or state aid. This deficit does not indicate that the District is facing financial difficulties and is permitted practice under accounting principles generally accepted in the United States of America.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve Account

A capital reserve account was established by the District in October, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). 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. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning balance		$ 370,344
Increases:		
Interest Earnings	$ 1,214	
Deposits Approved by Board Resolution	300,000	
		301,214
Ending balance		$ 671,558

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2009 is $1,372,782. Of this amount, $621,017 was designated and appropriated in the 2009/2010 original budget certified for taxes and the remaining amount of $751,765 will be appropriated in the 2010/2011 original budget certified from taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of $100,000 for each failed brokerage firm. At June 30, 2009, the book value of the Board's deposits was $2,762,209 and bank balances of the Board's cash and deposits amounted to $3,374,811. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash" or “cash and cash equivalents” are categorized as:

Insured	$ 3,374,811

Investments

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

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

B. Receivables

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

	General	Special Revenue	Capital Projects	Food Service	Total
Receivables:					
Intergovernmental	$ 35,587	$ 136,428	$ 1,576,795	$ 36,900	$ 1,785,710
Gross Receivables	35,587	136,428	1,576,795	36,900	1,785,710
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	$ 35,587	$ 136,428	$ 1,576,795	$ 36,900	$ 1,785,710

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

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

	Unearned
General Fund	
Unencumbered Restricted Formula Aid	$ 4,166
Special Revenue Fund	
Unencumbered grant draw downs	153,265
Capital Projects Fund	
Unrealized School Facility Grants	1,576,795
Total deferred revenue for governmental funds	$1,734,226

C. Capital Assets

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

	Balance, July 1, 2008	Increases	Decreases	Balance, June 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 39,658	-	-	$ 39,658
Construction In Progress	-	$ 73,227	-	73,227
Total capital assets, not being depreciated	39,658	73,227	-	112,885
Capital assets, being depreciated:				
Building and Building Improvements	10,155,846			10,155,846
Machinery and equipment	124,379	$ 72,616	$ (10,562)	186,433
Total capital assets, being depreciated	10,280,225	72,616	(10,562)	10,342,279
Less accumulated depreciation for:				
Building and Building Improvements	(1,856,459)	(199,615)		(2,056,074)
Machinery and equipment	(100,044)	(23,807)	10,562	(113,289)
Total accumulated depreciation	(1,956,503)	(223,422)	10,562	(2,169,363)
Total capital assets, being depreciated, net	8,323,722	(150,806)	-	8,172,916
Government activities capital assets, net	$ 8,363,380	$ (77,579)	$ -	$ 8,285,801

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, July 1, 2008	Increases	Decreases	Balance, June 30, 2009
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	$ 35,879	$ 27,845	$ -	$ 63,724
Total capital assets, being depreciated, net	35,879	27,845	-	63,724
Less accumulated depreciation for:				
Machinery and equipment	(14,845)	(5,143)	-	(19,988)
Total accumulated depreciation	(14,845)	(5,143)	-	(19,988)
Business-type activities capital assets, net	$ 21,034	$ 22,702	$ -	$ 43,736

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

Governmental activities:	
Instruction	
Regular	$ 15,591
Total Instruction	15,591
Support Services	
Students & Instruction Related Services	200,367
School Administration	3,535
Operations and Maintenance of Plant	3,929
Total Support Services	207,831
Total Governmental Funds	223,422
Total depreciation expense - governmental activities	$ 223,422
Business-type activities:	
Food Service Fund	$ 5,143
Total depreciation expense-business-type activities	$ 5,143

Construction commitments

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

Project	Remaining Commitment
Improvements to School #1 by the Construction of a Four Pre-Kindergarten Classroom Addition and Various Renovations	$4,183,490

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Payroll Agency Fund	General Fund	$ 7,637

The above balance is the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

E. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2009 is comprised of the following issue:

$2,186,000, 2001 Bonds, due in annual installments of $140,000 to $196,000 through August 15, 2016, interest at 4.25% to 4.50%	$1,346,000

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

Governmental Activities:

	Serial Bonds		
Fiscal Year	Principal	Interest	Total
2010	$ 140,000	$ 55,185	$ 195,185
2011	150,000	49,023	199,023
2012	155,000	42,542	197,542
2013	165,000	39,248	204,248
2014	170,000	32,236	202,236
2015-2017	566,000	51,010	617,010
	$ 1,346,000	$ 269,244	$ 1,615,244

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Statutory Borrowing Power

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

3% of Equalized Valuation Basis (Municipal)	$ 12,612,482
Less: Net Debt (Including Authorized But Not Issued)	5,602,717
Remaining Borrowing Power	$ 7,009,765

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	$ 1,481,000		$ 135,000	$ 1,346,000	$ 140,000
Compensated absences	77,141	$ 2,428	2,221	77,348	10,000
Governmental activity Long-term liabilities	$ 1,558,141	$ 2,428	$ 137,221	$ 1,423,348	$ 150,000

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

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the Northeast Bergen County School Board Insurance Group (NESBIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

NESBIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund is on file with the School's Business Administrator.

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

B. Contingent Liabilities

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

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

C. Federal Arbitrage Regulations

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

D. Employee Retirement Systems and Pension Plans

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Other Pension Funds

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

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

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

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

Basis of Accounting

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

Investment Valuation

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation

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

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

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

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

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

Annual Pension Costs (APC)

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

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

Year Ended June 30,	PERS	On-behalf TPAF
2009	$ 63,696	$ 15,624
2008	50,299	342,678
2007	25,356	341,501

During 2008/09 school year, the State of New Jersey did not contribute to the TPAF for normal cost. It only paid $15,624 for the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $368,890 during the year ended June 30, 2009 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits

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

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

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

Basis of Accounting

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

Investment Valuation

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

Funded Status and Funding Progress

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contributions

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

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

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2009, 2008 and 2007 were $298,072, $212,452 and $182,428, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 SUBSEQUENT EVENTS

On August 27, 2009, the District issued bond anticipation notes in the amount of $2,000,000 to temporarily finance expenditures related to the 2009 referendum project. The District awarded the sale of said notes to TD Bank, N.A. at an interest rate of 1.29%. These noted dated August 27, 2009 will mature on August 16, 2010.

BUDGETARY COMPARISON SCHEDULES

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy	$ 2,389,174		$ 2,389,174	$ 2,389,174	
Interest on Capital Reserve	200		200	1,214	$ 1,014
Interest on Investments	30,000		30,000	22,956	(7,044)
Miscellaneous	-	-	-	1,243	1,243
Total Local Sources	2,419,374	-	2,419,374	2,414,587	(4,787)
State Sources					
Equalization Aid	6,514,639		6,514,639	6,487,500	(27,139)
Transportation Aid	28,455		28,455	28,455	
Special Education Aid	438,604		438,604	438,604	
Security Aid	290,276		290,276	290,276	
Extraordinary Aid				34,371	34,371
Non Public School Transportation Aid				6,438	6,438
On-behalf TPAF Pension Payments - NCGI (Non-Budget) - Non Contributory Insurance				15,624	15,624
On-behalf TPAF Pension Payments - PRM Contribution (Non-Budget)				298,072	298,072
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	368,890	368,890
Total State Sources	7,271,974	-	7,271,974	7,968,230	696,256
Federal Sources					
Medicaid Reimbursement	-	-	-	15,146	15,146
Total Federal Sources	-	-	-	15,146	15,146
Total Revenues	9,691,348	-	9,691,348	10,397,963	706,615
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	293,303	360,970	654,273	616,533	37,740
Grades 1-5	1,435,672	(121,909)	1,313,763	1,291,755	22,008
Grades 6-8	960,548	95,000	1,055,548	1,042,111	13,437
Regular Program - Home Instruction					
Salaries of Teachers	32,000	(25,564)	6,436	5,264	1,172
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	381,619	(190,249)	191,370	172,330	19,040
Purchased Professional/Educational Services	8,500	(1,500)	7,000	6,987	13
General Supplies	166,756	117,641	284,397	247,776	36,621
Textbooks	147,600	-	147,600	106,635	40,965
Miscellaneous Expenditures	3,700	(500)	3,200	2,902	298
Total Regular Programs	3,429,698	233,889	3,663,587	3,492,293	171,294
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	156,661		156,661	145,578	11,083
Other Salaries for Instruction	132,261		132,261	76,996	55,265
General Supplies	1,000		1,000	678	322
Textbooks	500	-	500	-	500
Total Learning and/or Language Disabilities	290,422	-	290,422	223,252	67,170

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Multiple Disabilities					
Salaries of Teachers	$ 57,462		$ 57,462	$ 53,315	$ 4,147
Other Salaries for Instruction	69,553		69,553	50,097	19,456
General Supplies	500		500	237	263
Textbooks	500	-	500	-	500
Total Multiple Disabilities	128,015	-	128,015	103,649	24,366
Resource Room					
Salaries of Teachers	426,639		426,639	401,426	25,213
General Supplies	500		500		500
Textbooks	500	-	500	-	500
Total Resource Room	427,639	-	427,639	401,426	26,213
Autism					
Salaries of Teachers	58,014		58,014	55,370	2,644
Other Salaries for Instruction	100,171		100,171	81,848	18,323
General Supplies	2,000	-	2,000	556	1,444
Total Autism	160,185	-	160,185	137,774	22,411
Total Special Education	1,006,261	-	1,006,261	866,101	140,160
Basic Skills/Remedial					
Salaries of Teachers	138,688		138,688	138,688	
General Supplies	5,000	-	5,000	-	5,000
Total Basic Skills/Remedial	143,688	-	143,688	138,688	5,000
Bilingual Education					
Salaries of Teachers	119,074	$ 5,500	124,574	124,572	2
General Supplies	6,000		6,000	2,968	3,032
Textbooks	1,000	-	1,000	-	1,000
Total Bilingual Education	126,074	5,500	131,574	127,540	4,034
School Sponsored Cocurricular Activities					
Salaries	12,000	-	12,000	3,100	8,900
Total School Sponsored Cocurricular Activities	12,000	-	12,000	3,100	8,900

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Community Services Programs/Operations					
Salaries	$ 30,030	-	$ 30,030	$ 23,100	$ 6,930
Total Community Services Programs/Operations	30,030	-	30,030	23,100	6,930
Total Instruction	4,747,751	$ 239,389	4,987,140	4,650,822	336,318
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State-Special	61,100		61,100		61,100
Tuition to CSSD & Reg. Day Schools	372,165		372,165	162,205	209,960
Tuition to Priv. Sch. for the Handicap Within the State	444,006	-	444,006	262,564	181,442
Total Undistributed Expenditures - Instruction	877,271	-	877,271	424,769	452,502
Health Services					
Salaries	45,500	(1,000)	44,500	41,022	3,478
Purchased Professional and Technical Services	4,000		4,000	3,500	500
Supplies and Materials	10,000	-	10,000	1,730	8,270
Total Health Services	59,500	(1,000)	58,500	46,252	12,248
Other Support Serv. Students - Related Serv.					
Salaries	128,573	(18,500)	110,073	105,315	4,758
Purchased Professional-Educational Services	150,000		150,000	115,257	34,743
Supplies and Materials	2,000	-	2,000	1,240	760
Total Other Support Serv. Students - Related Serv.	280,573	(18,500)	262,073	221,812	40,261
Other Support Services-Students-Regular					
Salaries of Other Professional Staff	174,513	(17,400)	157,113	136,616	20,497
Supplies and Materials	1,250	-	1,250	218	1,032
Total Other Support Services - Students - Regular	175,763	(17,400)	158,363	136,834	21,529
Other Support Services-Students-Special Services					
Salaries of Other Professional Staff	128,867		128,867	104,196	24,671
Salaries of Secretarial and Clerical Assistants	27,168		27,168	16,782	10,386
Supplies and Materials	7,000	-	7,000	1,878	5,122
Total Other Support Services - Students - Special Services	163,035	-	163,035	122,856	40,179

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	$ 70,602		$ 70,602	$ 69,315	$ 1,287
Supplies and Materials	14,000	-	14,000	10,607	3,393
Total Educational Media Serv./School Library	84,602	-	84,602	79,922	4,680
Staff Training Services					
Purchased Professional-Educational Services	2,000	-	2,000	375	1,625
Total Staff Training Services	2,000	-	2,000	375	1,625
Support Services General Administration					
Salaries	192,645	$ 5,000	197,645	173,957	23,688
Legal Services	30,000	10,000	40,000	17,817	22,183
Audit Fees	26,000	15,400	41,400	17,265	24,135
Other Purchased Professional Services	9,000	5,000	14,000	3,483	10,517
Purchased Technical Services	1,000	-	1,000		1,000
Communications/Telephone	75,000	10,000	85,000	35,291	49,709
BOE Other Purchased Services	9,450	5,000	14,450	3,203	11,247
Other Purchased Services	8,000	-	8,000	6,754	1,246
BOE In-House Training/Meeting Supplies	2,000	-	2,000	1,105	895
Miscellaneous Expenditures	11,000	-	11,000	9,424	1,576
BOE Membership Dues and Fees	5,918	3,000	8,918	7,762	1,156
Total Support Services General Administration	370,013	53,400	423,413	276,061	147,352
Support Services School Administration					
Salaries of Principal/Asst. Principals	215,046	-	215,046	197,216	17,830
Salaries of Other Professional Staff	14,125	(6,425)	7,700	7,500	200
Salaries of Secretarial and Clerical Assistants	88,842	3,000	91,842	76,785	15,057
Supplies and Materials	3,000	15,000	18,000	4,760	13,240
Total Support Services School Administration	321,013	11,575	332,588	286,261	46,327
Central Services					
Salaries	206,926	-	206,926	196,336	10,590
Miscellaneous Purchased Services	3,500	10,000	13,500	276	13,224
Supplies and Materials	1,500	15,000	16,500	5,347	11,153
Total Central Services	211,926	25,000	236,926	201,959	34,967
Admin. Info. Tech.					
Purchased Technical Services	82,000	-	82,000	58,608	23,392
Total Admin. Info. Tech.	82,000	-	82,000	58,608	23,392
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance	181,867	4,748	186,615	179,160	7,455
General Supplies	6,000	16,479	22,479	21,781	698
Total Required Maintenance for School Fac.	187,867	21,227	209,094	200,941	8,153

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Other Operation & Maint. Of Plant					
Salaries	$ 318,017	$ (39,000)	$ 279,017	$ 263,214	$ 15,803
Purchased Professional and Technical Services	77,680	-	77,680	77,680	-
Cleaning, Repair and Maint. Serv.	10,000	-	10,000	3,184	6,816
Other Purchased Property Services	8,000	-	8,000	2,336	5,664
Insurance	66,750	-	66,750	60,956	5,794
General Supplies	33,000	2,184	35,184	23,027	12,157
Energy	271,636	(43,032)	228,604	203,952	24,652
Total Other Operation & Maint. Of Plant	785,083	(79,848)	705,235	634,349	70,886
Student Transportation Services					
Contracted Serv. (Spl. Ed. Students) Joint Agrmnts	4,000		4,000		4,000
Contracted Services (Spl. Ed. Students) - ESCs & CTSAs	325,000	(9,687)	315,313	99,587	215,726
Contracted Serv.-Aid in Lieu of Payments	72,000	(30,313)	41,687	34,686	7,001
Total Student Transportation Services	401,000	(40,000)	361,000	134,273	226,727
Unallocated Benefits - Employee Benefits					
Social Security Contributions	120,000	-	120,000	72,717	47,283
Other Retirement Contributions - Regular	120,000	(56,303)	63,697	63,696	1
Unemployment Compensation	25,000	-	25,000	11,400	13,600
Workmen's Compensation	62,500	-	62,500	55,562	6,938
Health Benefits	1,169,112	(190,248)	978,864	866,666	112,198
Tuition Reimbursement	20,000	-	20,000	16,833	3,167
Total Unallocated Benefits - Employee Benefits	1,516,612	(246,551)	1,270,061	1,086,874	183,187
On-behalf TPAF Pension Payments - NCGI (Non-Budget)				15,624	(15,624)
On-behalf TPAF Pension Payments - PRM Contribution (Non-Budget)				298,072	(298,072)
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	368,890	(368,890)
Total Undistributed Expenditures	5,518,258	(292,097)	5,226,161	4,594,732	631,429
Total Expenditures - Current Expenditures	10,266,009	(52,708)	10,213,301	9,245,554	967,747
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	200	-	200	-	200
	200	-	200	-	200
Undistributed					
Undistributed Expenditures - Instruction	-	72,616	72,616	72,616	-
Total Equipment	-	72,616	72,616	72,616	-
Total Capital Outlay	200	72,616	72,816	72,616	200
Transfer of Funds to Charter Schools	9,888	-	9,888	15,567	(5,679)
Total Expenditures	10,276,097	19,908	10,296,005	9,333,737	962,268
Excess (Deficiency) of Revenues Over/(Under) Expenditures	$ (584,749)	$ (19,908)	$ (604,657)	$ 1,064,226	$ 1,668,883

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Fund Balance, Beginning of Year	$ 1,873,766	-	$ 1,873,766	$ 1,873,766	-
Fund Balance, End of Year	$ 1,289,017	$ (19,908)	$ 1,269,109	$ 2,937,992	$ 1,668,883
Recapitulation of Fund Balance					
Reserved:					
Encumbrances				$ 102,843	
Capital Reserve				671,558	
Maintenance Reserve				170,000	
Tuition reserve				80,000	
Emergency Reserve				250,000	
Excess Surplus-Designated For Subsequent Year's Expenditures				621,017	
Excess Surplus				751,765	
Unreserved, Undesignated				290,809	
Reconciliation to Governmental Funds Statements (GAAP):				2,937,992	
Less: State Aid Payments Not Recognized on GAAP Basis				(725,135)	
Fund Balance Per Governmental Funds (GAAP)				$ 2,212,857	

Continued

PROSPECT PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Intergovernmental					
Local		$ 16,729	$ 16,729	$ 106	$ (16,623)
State	$ 437,641	43,907	481,548	407,085	(74,463)
Federal	645,714	344,208	989,922	886,986	(102,936)
Total Revenues	1,083,355	404,844	1,488,199	1,294,177	(194,022)
EXPENDITURES					
Instruction					
Salaries of Teachers	411,426	92,781	504,207	480,224	23,983
Other Salaries for Instruction	27,864	-	27,864	27,864	-
Other Salaries		-		-	-
Purchased Prof. and Technical Services	60,069	77,300	137,369	115,084	22,285
General Supplies	82,022	104,223	186,245	118,020	68,225
Textbooks	19,530	(1,458)	18,072	16,201	1,871
Other Objects	-	-	-	-	-
Total Instruction	600,911	272,846	873,757	757,393	116,364
Support Services					
Salaries of Supervisors of Instruction	1,375	-	1,375	1,375	-
Salaries of Program Directors	40,416	1,000	41,416	37,849	3,567
Salaries of Other Professional Staff	8,877	11,470	20,347	16,093	4,254
Salaries of Secretarial and Clerical Assts.	7,150	-	7,150	7,150	-
Other Salaries	209,232	31,641	240,873	226,488	14,385
Personal Services - Employee Benefits	128,033	52,819	180,852	165,332	15,520
Purchased Professional/Technical Services	1,470	(521)	949	545	404
Purchased Professional/Educational Services	26,183	28,081	54,264	44,627	9,637
Other Purchased Professional Educational Services	1,350	100	1,450	739	711
Other Purchased Professional Services	57,503	5,063	62,566	36,586	25,980
Supplies and Materials	605	2,345	2,950	-	2,950
Other Objects	250	-	250	-	250
Total Support Services	482,444	131,998	614,442	536,784	77,658
Total Expenditures	1,083,355	404,844	1,488,199	1,294,177	194,022
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	$ -	$ -	$ -	$ -	$ -
Reconciliation to Governmental Fund Statements (GAAP)					
Less: State Aid Payments Not Required on a GAAP Basis				$ (16,402)	
Fund Balance Per Governmental Funds (GAAP)				$ (16,402)	

PROSPECT PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	$ 10,397,963	$ 1,294,177
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances , June 30, 2008		4,254
State Aid payment recognized for GAAP purposes, not recognized for Budgetary statements (2007/08 State Aid)	287,043	31,805
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (2008/09 State Aid)	(725,135)	(16,402)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	$ 9,959,871	$ 1,313,834
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 9,333,737	$ 1,294,177
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for *budgetary* purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances , June 30, 2008	-	4,254
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 9,333,737	$ 1,298,431

APPENDIX C

Proposed Form of Bond Counsel Opinion

STEVEN L. ROGUT
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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

August ___, 2010

The Board of Education of the
Borough of Prospect Park, in the
County of Passaic, New Jersey

Dear Board Members:

We have acted as bond counsel in connection with the issuance of $2,679,000 aggregate principal amount of School Bonds (the "Bonds") by The Board of Education of the Borough of Prospect Park, in the County of Passaic, a school district of the State of New Jersey (the "Board" or "School District"). The Bonds are dated August 1, 2010 and comprise an issue of registered bonds. The Bonds bear interest from their date payable on each February 1 and August 1, commencing February 1, 2011 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on August 1 in each year, and bear interest at the rates per annum, as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2011	$ 50,000	%	2019	$260,000	%
2012	50,000		2020	260,000	
2013	50,000		2021	270,000	
2014	50,000		2022	270,000	
2015	50,000		2023	270,000	
2016	50,000		2024	275,000	
2017	250,000		2025	274,000	
2018	250,000				

The Bonds maturing on or before August 1, 2020 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 1, 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 August 1, 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 the annual school election held on April 21, 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 School 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.

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