

Rating: Standard & Poor's _____ “(Expected)” (School Bond Reserve Act)
Standard & Poor's _____ “(Expected)” (Underlying Rating)

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 5, 2010

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

New Issue

Serial Bonds

**THE BOARD OF EDUCATION OF THE
BOROUGH OF WOODBINE IN
THE COUNTY OF CAPE MAY, NEW JERSEY
\$3,682,000 SCHOOL BONDS
(Callable)(Book-Entry-Only)(Bank Qualified)**

Dated: Date of Delivery

Due: March 1, as shown below

The \$3,682,000 School Bonds (the “Bonds”) of The Board of Education of the Borough of Woodbine in the County of Cape May, New Jersey (the “Board” or “Board of Education”) when referring to the governing body and legal entity and the “School District” when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as Securities Depository for the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

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

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

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

| <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> |
|-------------|---------------|--------------------------|--------------|-------------|---------------|--------------------------|--------------|
| 2012 | \$170,000 | % | | 2020 | \$255,000 | % | |
| 2013 | 185,000 | | | 2021 | 260,000 | | |
| 2014 | 195,000 | | | 2022 | 272,000 | | |
| 2015 | 205,000 | | | 2023 | 295,000 | | |
| 2016 | 215,000 | | | 2024 | 305,000 | | |
| 2017 | 220,000 | | | 2025 | 310,000 | | |
| 2018 | 230,000 | | | 2026 | 320,000 | | |
| 2019 | 245,000 | | | | | | |

The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon & Scotland, L.L.C., Newark, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Board's Bond Counsel, McManimon & Scotland, L.L.C., or at such other place as agreed to with the Underwriter on or about August 24, 2010.

ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON AUGUST 12, 2010. FOR MORE INFORMATION VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM.

**THE BOARD OF EDUCATION OF THE BOROUGH OF WOODBINE
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

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BOARD AUDITOR

Ford, Scott & Associates, L.L.C.
Ocean City, New Jersey

BOARD ATTORNEY

Archer & Greiner, P.C.
Haddonfield, New Jersey

BOND COUNSEL

McManimon & Scotland, L.L.C.
Newark, New Jersey

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

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

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

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**OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE BOROUGH OF WOODBINE
IN THE COUNTY OF CAPE MAY, NEW JERSEY
\$3,682,000
SCHOOL BONDS
(CALLABLE) (BOOK-ENTRY-ONLY ISSUE) (BANK QUALIFIED)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Woodbine in the County of Cape May, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$3,682,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds has been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

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

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

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

Redemption

The Bonds maturing prior to March 1, 2021 are not subject to optional redemption. The Bonds maturing on or after March 1, 2021 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after March 1, 2020 at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

Security for the Bonds

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

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

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

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

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

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the district, county or municipality and shall not obligate the State to make, nor entitle the district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

Authorization and Purpose

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on November 17, 2009 and approved by a majority of the legal voters present and voting at the school district election held on December 8, 2009 and by a resolution duly adopted by the Board on June 22, 2010 (the "Resolution").

The purpose of the Bonds is to finance various improvements and renovations, including the installation of solar energy panels, at Woodbine Elementary School and the acquisition of the necessary equipment and the undertaking of any associated site work. The total cost of the project is \$3,682,665. The project will be permanently funded through the issuance of the Bonds, and the remaining \$665 will be made available from other funds of the Board. The School District is entitled to receive debt service aid from the State of New Jersey that will equal 58.2661% of the annual debt service due on the final eligible costs of the projects. However, debt service aid for the 2011 fiscal year will be reduced by 15%. See "Summary of State Aid to School Districts" herein.

BOOK-ENTRY-ONLY SYSTEM¹

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

¹ Source: The Depository Trust Company

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy

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

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

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

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

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

Discontinuance of Book-Entry-Only System

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

THE SCHOOL DISTRICT AND THE BOARD

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

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

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters, or (b) a board of school estimate,

consisting of two (2) members of the governing body of and the CEO of each municipality within the district and the president of and one member of the board of education, approves all fiscal matters;

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

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

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

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

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

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

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

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

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 *et seq.*, P.L. 1996, c. 138 (CEIFA), (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could 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 provided 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 required approved by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and

tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expenses and capital outlay budgets, known as a school district's spending growth limitation amount, created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 was in effect only through fiscal year 2012. Without an extension of Chapter 62 by the legislature, the spending growth limitations on the general fund and capital outlay budget would be in effect.

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

The previous legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment. The new law will limit the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election. The process for obtaining waivers from the Commissioner for additional increases over the tax levy or spending limitations has been eliminated under Chapter 44.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy ad valorem taxes upon all taxable real property within the district to pay debt service on its bonds or notes.

Issuance of Debt

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

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

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

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

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

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a kindergarten (K) through grade eight (8) school district, the School District can borrow up to 3% of the average equalized valuation of taxable property in the School District. The School District has not exceeded its 3% debt limit. See "APPENDIX A – Debt Limit of the School District."

Exceptions to Debt Limitation

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

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, P.L. 2000, c. 72, repealed the authorization to enter into facilities leases in excess of five years. The payment of rent on an equipment lease and on a five year and under facilities lease is treated as a current expense and within the school district's Spending Growth Limitation and tax levy cap. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the

requirement to provide facilities aid as well. The legislation has included the Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., (P.L. 1990, c. 52) ("QEA") (now repealed), the Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., (P.L. 1996, c. 138) (CEIFA) and the Educational Facilities Construction and Financing Act, (P.L. 2000, c. 72) ("EFCFA"), which became law on July 18, 2000. For the past several years aid was simply determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260 approved January 1, 2008 (A500), attempts to remove the special status given to certain districts known as Abbot Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was recently challenged in the Court, and the Court held that the State's plan for school aid is a "constitutionally adequate scheme."

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

Due to the State's current budget concerns, \$6,862.00 of its State aid was withheld for the 2009/2010 fiscal year. The Board's funding for the 2010/2011 fiscal year will reflect a decrease in formula-based aid from \$3,369,593.00 for fiscal year 2010 to \$3,279,231.00.

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

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

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the 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 Borough has not exceeded its statutory debt limit.

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

The 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.

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, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital

expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2007, c. 62, effective April 3, 2007, imposed 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 included 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 was able to approve waivers for certain extraordinary costs identified by the statute, and voters could approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

This legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

Neither the tax levy limitation nor the "Cap Law" limits, including the provisions of the recent legislation, would limit 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 Cape May 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 Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the Cape May County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey, for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

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

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

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

FINANCIAL STATEMENTS

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

LITIGATION

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

TAX EXEMPTION

Applicable federal tax law provides that interest on obligations such as the Bonds is not included in gross income for federal income tax purposes only if certain requirements are met. In its Certificate (the "Tax

Certificate") as to Arbitrage and Compliance with the Internal Revenue Code of 1986, as amended (the "Code"), which will be delivered in connection with the issuance of the Bonds, the Board will make certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds and certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103 of the Code. Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal tax purposes retroactive to the date of the issuance of the Bonds.

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

New Jersey Gross Income Tax

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

Certain Federal Tax Consequences Relating to the Bonds

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

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

Bank Qualification

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

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

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

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

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

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

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

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

RATING

The Board has requested a rating from Standard & Poor's (the "Rating Agency").

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

SECONDARY MARKET DISCLOSURE

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

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

standards as may be required by New Jersey law;

(b) if any of the following material events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) notice of failure of the Board of Education to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

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

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

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

The Board does not have any prior filing obligations under the Rule.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Alan B. Parmelee, Business Administrator/Board Secretary at (609) 861-5174.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

THE BOARD OF EDUCATION OF THE BOROUGH OF WOODBINE IN THE COUNTY OF CAPE MAY, NEW JERSEY

By: _____
Alan B. Parmelee, Business Administrator/Board Secretary

APPENDIX A

Economic and Demographic Information Relating to the School District and the Borough of Woodbine

SCHOOL DISTRICT

General Information

Overview

The Board consists of nine members from the Borough elected to three-year terms. The purpose of the School District is to educate students in grades pre-kindergarten through eight. The Woodbine School District is a single building rural school district that houses students in pre-school through eighth grade. The students from Woodbine Elementary School attend the Millville High School, the Cape May County Vocational school as well as other private and charter schools for their secondary education.

Enrollment

| Fiscal Year | Pupil Enrollment | % Change |
|-------------|------------------|----------|
| 2009 | 213 | 14.52% |
| 2008 | 186 | -11.85% |
| 2007 | 211 | -.009% |
| 2006 | 213 | -9.36% |
| 2005 | 235 | -2.48% |

Source: School District Records

Pension Plan/ Retirement Plan

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

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

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

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

GENERAL INFORMATION REGARDING THE BOROUGH

GOVERNMENTAL STRUCTURE

Woodbine was incorporated as a borough by an Act of the New Jersey Legislature on March 3, 1903, from portions of Dennis Township. According to the United States Census Bureau, the borough has a total area of 8.0 square miles (20.7 km²), all of it land. Woodbine borders Dennis Township and Upper Township.

The Borough of Woodbine is governed by a Mayor and a six-member Borough Council. The mayor serves a four-year term of office and is directly elected by the voters. Borough Council members serve three year terms of office on a staggered basis, with two seats coming up for election each year.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following material presents certain economic and demographic information of the Borough of Woodbine.

Population

| | Borough | | County | | State | |
|------|------------|----------|------------|----------|------------|----------|
| Year | Population | % Change | Population | % Change | Population | % Change |
| 2000 | 2,716 | 1.4% | 102,326 | 7.6% | 8,414,350 | 8.9% |
| 1990 | 2,678 | -4.7% | 95,089 | 15.6% | 7,730,188 | 5.0% |
| 1980 | 2,809 | 7.0 | 82,266 | 38.1% | 7,365,011 | 2.7% |
| 1970 | 2,625 | | 59,554 | | 7,171,112 | |

Source: US Census

Building Permits

| Year | Number of Permits | Value of Construction |
|------|-------------------|-----------------------|
| 2009 | 70 | \$1,230,821.00 |
| 2008 | 100 | \$989,318.00 |
| 2007 | 87 | \$1,573,175.00 |
| 2006 | 76 | \$3,772,460.00 |

Source: Borough Tax Assessor

Employment and Unemployment Comparisons

| | Total Labor Force | Employed Labor Force | Total Unemployed | Unemployment Rate |
|----------------|------------------------------|---------------------------------|-----------------------------|------------------------------|
| Borough | | | | |
| 2009 | 1,141 | 1,006 | 135 | 11.8% |
| 2008 | 1,113 | 1,020 | 93 | 8.4% |
| 2007 | 1,123 | 1,048 | 75 | 6.7% |
| 2006 | 1,159 | 1,077 | 82 | 7.1% |
| County | | | | |
| 2009 | 57,881 | 51,292 | 6,589 | 11.4% |
| 2008 | 56,560 | 52,000 | 4,560 | 8.1% |
| 2007 | 57,135 | 53,427 | 3,708 | 6.5% |
| 2006 | 58,936 | 54,931 | 4,005 | 6.8% |
| State | | | | |
| 2009 | 4,536,658 | 4,118,367 | 418,291 | 9.2% |
| 2008 | 4,502,752 | 4,256,949 | 245,803 | 5.5% |
| 2007 | 4,467,092 | 4,276,898 | 190,194 | 4.3% |
| 2006 | 4,508,349 | 4,299,369 | 208,980 | 4.6% |

Source: Bureau of Labor Statistics

Largest Employers in the Borough

| Employer | Type of Industry | Approximate Number of Employees |
|-------------------------------|----------------------------|--|
| Woodbine Developmental Center | Intermediate Care Facility | 1,000 + |
| Robinson Pallet | Pallet & Skid Manufacturer | 50 - 99 |
| Gentilini Ford | New Car Dealer | 50 - 99 |
| Woodbine School District | School District | 38 |
| Borough of Woodbine | Municipal Government | 20 - 49 |
| NJ State Police | Law Enforcement | 20 - 49 |
| Modern Gas | Builders Equipment | 20 - 49 |
| Quality Electric & Alarms | Electric Contractor | 20 - 49 |
| Cape May County MUA | Landfill / Recycling | 20 - 49 |
| Alarm Systems | Fire Alarm Installation | 20 - 49 |

Source: Department of Labor & Workforce Development

Ten Largest Taxpayers

| <u>Taxpayer</u> | <u>Assessed Valuation</u> |
|-------------------------------------|---------------------------|
| Woodbine Manor Apts LTD Partnership | \$ 4,800,000.00 |
| DMA Investments, LLC | 2,501,200.00 |
| Quinn-Woodbine R&L, LLC | 2,501,200.00 |
| Individual Property Owner #1 | 2,287,400.00 |
| Brandywine Associates, LLC | 1,806,600.00 |
| Forss & King Rental Properties | 1,715,400.00 |
| Individual Property Owner #2 | 1,651,900.00 |
| Campark Liquors, Inc. | 1,489,900.00 |
| SCA Services of NJ | 1,311,200.00 |
| Gerald A. Barrett, Inc. | 1,226,400.00 |
| | <u>\$ 21,291,200.00</u> |

Source: Municipal Tax Assessor

Comparisons of Tax Levies and Collections

| <u>Year</u> | <u>Tax Levy</u> | <u>Cash Collection</u> | <u>% of Collection</u> |
|-------------|-----------------|------------------------|------------------------|
| 2009 | \$ 2,079,108 | \$ 2,031,074 | 97.69% |
| 2008 | 1,977,280 | 1,926,959 | 97.46% |
| 2007 | 1,789,687 | 1,748,337 | 97.69% |
| 2006 | 1,521,166 | 1,480,179 | 97.31% |
| 2005 | 1,428,597 | 1,395,685 | 97.70% |

Source: Municipal Audit

Delinquent Taxes and Tax Title Lien

| <u>Year</u> | <u>Amount of Tax Lien</u> | <u>Amount of Delinquent Tax</u> | <u>% Of Levy</u> |
|-------------|---------------------------|---------------------------------|------------------|
| 2009 | \$ 192 | \$ 64,421 | 3.11% |
| 2008 | - | 56,739 | 2.87% |
| 2007 | - | 43,076 | 2.41% |
| 2006 | - | 41,914 | 2.76% |
| 2005 | - | 35,215 | 2.47% |

Source: Municipal Audit

Property Acquired by Tax Title Lien

There are no properties presently undergoing foreclosure proceedings.

Net Assessed Valuations and Annual Tax Rates

| Year | Net Assessed Valuation | Total Tax Rate | County | Local School | Municipal |
|---------|---------------------------|-------------------|----------|-----------------|-----------|
| 2009 | \$ 180,677,045 | \$ 1.146 | \$ 0.204 | \$ 0.704 | \$ 0.238 |
| 2008 | 179,062,422 | 1.099 | 0.182 | 0.679 | 0.238 |
| 2007 -R | 178,440,561 | 1.000 | 0.154 | 0.615 | 0.231 |
| 2006 | 59,701,776 | 2.510 | 0.416 | 1.685 | 0.409 |
| 2005 | 58,772,528 | 2.400 | 0.420 | 1.570 | 0.410 |

R = Revaluation

Source: Municipal Audit

Real Property Classification

| | 2009 | 2008 | 2007 - R | 2006 | 2005 |
|--------------|-----------------------|-----------------------|-----------------------|----------------------|---------------------|
| Vacant Land | \$ 8,503,500 | \$ 8,754,000 | \$ 9,075,300 | \$ 5,926,500 | \$ 5,863,50 |
| Residential | 132,543,000 | 130,920,600 | 130,109,200 | 33,784,500 | 33,192,80 |
| Farm Regular | 4,344,600 | 4,860,800 | 4,860,800 | 3,299,600 | 2,828,80 |
| Farm - Q | 102,300 | 140,100 | 140,100 | 132,500 | 110,90 |
| Commercial | 23,942,900 | 23,302,300 | 23,161,300 | 12,140,400 | 12,183,50 |
| Industrial | 4,763,000 | 4,763,000 | 4,736,300 | 1,854,900 | 1,854,90 |
| Apartments | 5,061,400 | 5,061,400 | 5,061,400 | 1,931,800 | 1,931,80 |
| Public | | | | | |
| Utilities | 1,416,345 | 1,260,222 | 1,296,161 | 631,576 | 806,32 |
| Totals | \$ <u>180,677,045</u> | \$ <u>179,062,422</u> | \$ <u>178,440,561</u> | \$ <u>59,701,776</u> | \$ <u>58,772,52</u> |

Source: Cape May County Abstract of Ratables

Ratio of Assessed Valuation to True Value

| Year | Aggregate Assessed Valuation (Net) | Ratio to True Value | Aggregate True Value Real Property |
|----------|---------------------------------------|---------------------------|---------------------------------------|
| 2009 | \$ 180,677,045 | 99.44% | \$ 181,694,390 |
| 2008 | 179,062,422 | 105.66% | 169,467,033 |
| 2007 - R | 178,440,561 | 125.13% | 142,608,529 |
| 2006 | 59,701,776 | 50.24% | 118,838,058 |
| 2005 | 58,772,528 | 60.17% | 97,670,710 |

Source: Abstract of Ratables, County Board of Taxation

OTHER POST EMPLOYMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (“the SHBP”), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

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

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

Statement of Indebtedness
As of December 31, 2009

Gross Debt:

School Purposes:

Local School District Bonds

| | | |
|------------------------------|----|---|
| Bonds Issued and Outstanding | \$ | - |
|------------------------------|----|---|

| | | |
|---------------------------|--|-----------|
| Authorized but not Issued | | 3,682,665 |
|---------------------------|--|-----------|

| | | |
|--------------------------------|--|-----------|
| Gross Debt for School Purposes | | 3,682,665 |
|--------------------------------|--|-----------|

Municipal General Purpose Debt

| | | |
|------------------------------|--|---|
| Bonds Issued and Outstanding | | - |
|------------------------------|--|---|

| | | |
|--|--|---------|
| Notes and Loans Issued and Outstanding | | 813,059 |
|--|--|---------|

| | | |
|---------------------------|--|---|
| Authorized but not Issued | | - |
|---------------------------|--|---|

| | | |
|----------------------------|--|---------|
| Gross General Purpose Debt | | 813,059 |
|----------------------------|--|---------|

| | | |
|------------------|----|-----------|
| Total Gross Debt | \$ | 4,495,724 |
|------------------|----|-----------|

Less: Statutory Deductions:

| | | |
|-------------------|--|-----------|
| Local School Debt | | 3,682,665 |
|-------------------|--|-----------|

| |
|-----------|
| 3,682,665 |
|-----------|

| | | |
|--------------------|----|---------|
| Statutory Net Debt | \$ | 813,059 |
|--------------------|----|---------|

| | | |
|--|--|-------|
| Statutory Net Debt as a % of Equalized Value | | 0.47% |
|--|--|-------|

Average Equalized Valuation of Real Property

| | | |
|-------------------------------|----|-------------|
| For the Year 2006, 2007, 2008 | \$ | 173,466,010 |
|-------------------------------|----|-------------|

* Source: Municipal Debt Statements

**Borough of Woodbine
Borrowing Capacity:**

| | <u>Before This Issue</u> | <u>After This Issue</u> |
|-------------------------|-------------------------------------|------------------------------------|
| Average Equalized Value | \$ 173,466,010 | \$ 173,466,010 |

Borough - Statutory Borrowing Power

| | | |
|---|---------------------|---------------------|
| 3 ½% of Average Equalized Value | 6,071,310 | 6,071,310 |
| Net Debt | 813,059 | 813,059 |
| Remaining Borrowing Power as of December 31, 2009 | \$ <u>5,258,251</u> | \$ <u>5,258,251</u> |

Board of Education - Statutory Borrowing Power

| | | |
|--|---------------------|---------------------|
| 3% of Average Equalized Value | \$ 5,203,980 | \$ 5,203,980 |
| Net Debt | - | 3,682,665 |
| Remaining Borrowing Power | \$ <u>5,203,980</u> | |
| Remaining Borrowing Power after the New Debt Issue | | \$ <u>1,521,315</u> |

*** Source: Municipal Debt Statements**

OVERLAPPING DEBT AS OF DECEMBER 31, 2009

| | | |
|---|---------------|----------------|
| County Net Debt | \$ 93,109,837 | |
| | <hr/> | \$ 93,109,837 |
| Borough of Woodbine Share | | 0.32% |
| Total Net Overlapping Debt | | 299,173 |
| Gross Debt (Municipal and School) | | 4,495,724 |
| | | <hr/> |
| Combined Debt (Municipal Gross & Net Overlapping) | | \$ 4,794,897 |
| | | <hr/> |
| Statutory Net Debt – Municipal | | \$ 813,059 |
| | | <hr/> |
| Statutory Net Debt – Municipal and Overlapping Debt | | \$ 1,112,232 |
| | | <hr/> |
| 2009 Net Valuation Taxable | | \$ 180,677,645 |
| | | <hr/> |
| 2009 Average Equalized Valuation of Real Property with Improvements | | \$ 173,466,010 |
| | | <hr/> |
| Combined Gross Debt as a % of 2009 Average Equalized Valuations | | 2.76% |
| Population Estimate as of July 1, 2009 | | 2,500 |
| Net Debt per Capita | | \$ 325 |
| | | <hr/> |

* Source: Municipal Debt Statements

APPENDIX B

**Financial Statements of The Board of Education of the
Borough of Woodbine in the County of Cape May, New Jersey**



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Woodbine School District
County of Cape May, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Borough of Woodbine School District (the District), in the County of Cape May, State of New Jersey, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Woodbine Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

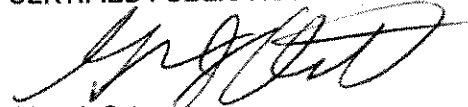
In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009 on our consideration of the Borough of Woodbine Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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



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

November 12, 2009

Required Supplementary Information – Part I

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

The discussion and analysis of Borough of Woodbine School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets decreased \$135,932.40, which represents a 4 percent decrease from 2008.
- General revenues accounted for \$4,377,694.96 of total revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$938,180.07 or 18 percent of total revenues of \$5,315,875.03.
- Total assets of governmental activities decreased by \$33,822.50 as cash and cash equivalents decreased by \$25,236.65, receivables increased by \$25,358.15, and capital assets decreased by \$33,944.00.
- The School District had \$5,451,807.43 in expenses; only \$938,180.07 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state aid) of \$4,377,694.96 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$4,377,444.70 in revenues and \$4,426,052.81 in expenditures. The General Fund's fund balance decreased \$79,362.11 from 2008.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Borough of Woodbine School District as a financial whole; an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School district, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School district's most significant funds with all other non-major funds presented in total in one column. In the case of Borough of Woodbine School District, the General Fund is by far the most significant fund.

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District, as a whole looks at all financial transactions and ask the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the School district have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activity** - This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Latchkey and Food Service enterprise funds are reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School district's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Reporting the School District's Most Significant Funds (Continued)

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 29 to 46 of this report.

The School District as a Whole

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

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

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

Table 1
Net Assets

| | 2009 | 2008 |
|---|------------------------|------------------------|
| Assets | | |
| Current and Other Assets | \$ 175,452.85 | \$ 177,087.00 |
| Capital Assets | 3,562,401.00 | 3,601,045.00 |
| Total Assets | <u>3,737,853.85</u> | <u>3,778,132.00</u> |
| Liabilities | | |
| Long-Term Liabilities | 197,738.12 | 190,074.00 |
| Other Liabilities | 293,001.13 | 201,562.00 |
| Total Liabilities | <u>490,739.25</u> | <u>391,636.00</u> |
| Net Assets | | |
| Invested in Capital Assets, Net of Debt | 3,547,780.02 | 3,582,144.00 |
| Restricted | 105,979.73 | |
| Unrestricted | <u>(403,196.15)</u> | <u>(195,648.00)</u> |
| Total Net Assets | <u>\$ 3,250,563.60</u> | <u>\$ 3,386,496.00</u> |

The District's combined net assets were \$3,250,563.60 on June 30, 2009. This was a decrease of 4 percent from the prior year.

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

The School District as a Whole (Continued)

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

**Table 2
Changes in Net Assets**

| | <u>2009</u> | <u>2008</u> |
|---|------------------------|----------------------|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | \$ 48,403.04 | \$ 48,541.00 |
| Operating Grants and Contributions | 889,777.03 | 1,327,312.00 |
| General Revenues: | | |
| Property Taxes | 1,224,753.00 | 1,110,047.00 |
| Grants and Entitlements | 3,122,039.45 | 3,356,556.00 |
| Other | 30,902.51 | 57,834.00 |
| Total Revenues | <u>5,315,875.03</u> | <u>5,900,290.00</u> |
| Program Expenses | | |
| Instruction | 2,064,455.47 | 1,920,493.00 |
| Support Services: | | |
| Tuition | 1,326,866.72 | 1,614,922.00 |
| Related Services - Pupils and Instructional Staff | 872,453.84 | 395,127.00 |
| General Administration, School Administration | 362,484.36 | 416,265.00 |
| Maintenance of Facilities | 301,633.42 | 358,544.00 |
| Pupil Transportation | 324,007.74 | 401,032.00 |
| Special Schools and Charter Schools | 8,811.89 | |
| Food Service / Latchkey | 191,093.99 | 193,311.00 |
| Total Expenses | <u>5,451,807.43</u> | <u>5,299,694.00</u> |
| Increase in Net Assets | <u>\$ (135,932.40)</u> | <u>\$ 600,596.00</u> |

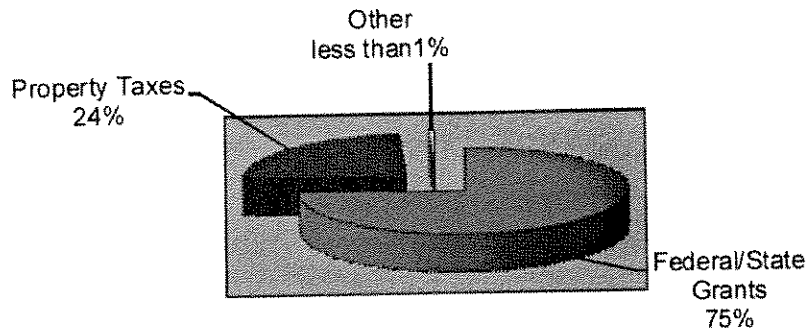
Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 23 percent of revenues for governmental activities for the Borough of Woodbine School District for fiscal year 2009 and 18 percent for fiscal year 2008. Property tax revenues increased by \$114,706.00; an increase of 10 percent from 2008. The District's total revenues were \$5,149,708.27 for the year ended June 30, 2009. Federal, state, and local grants accounted for 75 percent of revenue.

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

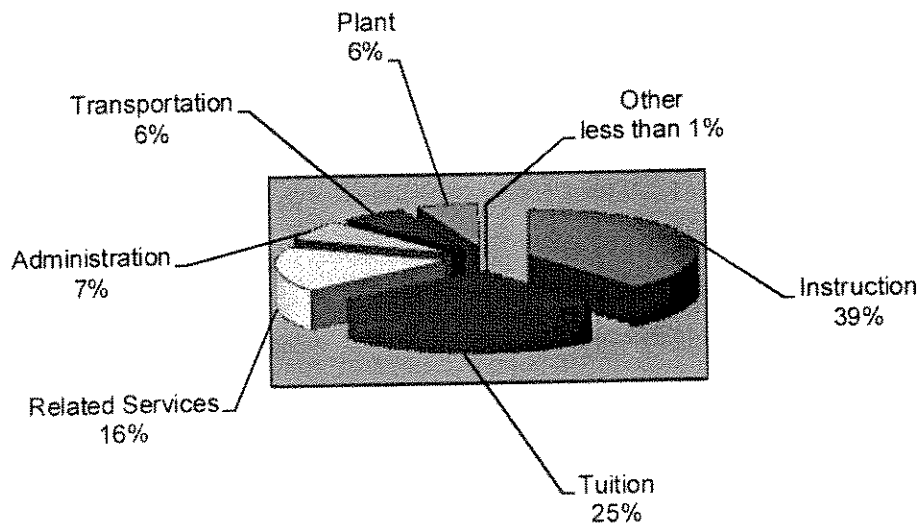
Governmental Activities (Continued)

Sources of Revenue for Fiscal Year 2009



The total cost of all program and services was \$5,260,713.44. Instruction comprises 39 percent of District expenses.

Expenses for 2009



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

Business-Type Activities

Revenues for the District's business-type activities (food service program and the Latchkey after-school care program) were comprised of charges for services and federal and state reimbursements.

- Food service expenses exceeded revenues by \$21,594.98 and Latchkey expenses exceeded revenues by \$3,332.25.
- Charges for food services represent \$43,630.45 of revenue. This represents amounts paid by patrons for daily food service. Charges for Latchkey represent \$4,772.59 of revenue. This represents amounts paid by patrons for daycare services.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$117,513.46.

Governmental Activities

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

Table 3

| | <u>Total Cost of Services 2009</u> | <u>Net Cost of Services 2009</u> | <u>Total Cost of Services 2008</u> | <u>Net Cost of Services 2008</u> |
|--------------------------------|--|--------------------------------------|--|--------------------------------------|
| Instruction | \$ 2,064,455.47 | \$ 1,292,191.90 | \$ 1,920,493.00 | \$ 1,109,095.00 |
| Support Services: | | | | |
| Tuition | 1,326,866.72 | 1,326,866.72 | 1,614,922.00 | 1,472,897.00 |
| Pupils and Instructional Staff | 872,453.84 | 872,453.84 | 395,127.00 | 263,448.00 |
| General Administration, School | | | | |
| Administration, Business | 362,484.36 | 362,484.36 | 416,265.00 | 348,191.00 |
| Operations and Maintenance | | | | |
| of Facilities | 301,633.42 | 301,633.42 | 358,544.00 | 329,497.00 |
| Pupil Transportation | 324,007.74 | 324,007.74 | 401,032.00 | 368,072.00 |
| Other | 8,811.89 | 8,811.89 | | |
| Total Expenses | <u>\$ 5,260,713.44</u> | <u>\$ 4,488,449.87</u> | <u>\$ 5,106,383.00</u> | <u>\$ 3,891,200.00</u> |

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

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

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

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

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

Governmental Activities (Continued)

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

"Other" includes special schools and unallocated depreciation.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$5,149,708.27 and expenditures were \$5,209,830.38. The net decrease in fund balance for the year was \$90,876.11.

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

| Revenue | Amount | Percent of Total | Increase (Decrease) from 2008 | Percent of Increase (Decrease) |
|-----------------|---------------------|---------------------|-------------------------------------|--------------------------------------|
| Local Sources | \$ 1,265,949 | 24.6% | \$ (433,957) | -25.5% |
| State Sources | 3,446,088 | 66.9% | (191,865) | -5.3% |
| Federal Sources | 437,670 | 8.5% | 36,158 | 9.0% |
| Total | <u>\$ 5,149,708</u> | 100.0% | <u>\$ (589,663)</u> | -10.3% |

Local revenues decreased by \$433,957.00. This decrease in local revenue was predominately due to a one time contribution by the Borough of Woodbine for a capital project in 2008.

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

The School District's Funds (Continued)

The following schedule represents a summary of general fund, special revenue fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2009, and the percentage of increases and decreases in relation to prior year amounts.

| <u>Expenditures</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase (Decrease) from 2008</u> | <u>Percent of Increase (Decrease)</u> |
|----------------------------|------------------------|-----------------------------|--|---|
| Current expense: | | | | |
| Instruction | \$ 1,581,324.55 | 30% | \$ (95,202) | -5.7% |
| Undistributed expenditures | 3,596,775.32 | 69% | 258,573 | 7.7% |
| Capital Outlay | 31,730.51 | 1% | (673,508) | -95.5% |
| Total | <u>\$ 5,209,830.38</u> | 100% | <u>\$ (510,138)</u> | -8.9% |

Changes in expenditures were the results of varying factors. Capital outlay decreased due to completion of a capital project in 2008.

General Fund Budgeting Highlights

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

Capital Assets

At the end of the fiscal year 2009, the School District had \$3,562,401.00 invested in land, building and machinery and equipment. Table 4 shows fiscal year 2009 balances compared to 2008.

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

| | <u>2009</u> | <u>2008</u> |
|------------------------------------|------------------------|------------------------|
| Building and Building Improvements | \$ 3,529,882.00 | \$ 3,564,411.00 |
| Machinery and Equipment | 32,519.00 | 36,634.00 |
| Total | <u>\$ 3,562,401.00</u> | <u>\$ 3,601,045.00</u> |

Overall capital assets decreased \$38,644.00 from fiscal year 2008 to fiscal year 2009. The decrease in capital assets is due to additions to capital assets being less than depreciation expense. For more detailed information, please refer to the Notes to the Financial Statements.

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

Debt Administration

At June 30, 2009, the School District had \$202,733.48 of outstanding debt. Of this amount, \$188,112.50 is for compensated absences and \$14,620.98 of capital leases payable.

At June 30, 2009, the School District's remaining legal debt margin available was \$4,799,402.00. For more detailed information, please refer to the Notes to the Financial Statements.

For the Future

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

The District continues to provide quality education programs while continuing to stabilize the tax rate in Borough of Woodbine. In conclusion, the Borough of Woodbine School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Alan Parmelee, Business Administrator at Borough of Woodbine School District, 801 Webster Street, Borough of Woodbine, New Jersey 08270.

Basic Financial Statements

DISTRICT – WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business – type activities of the District.

BOROUGH OF WOODBINE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2009

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 84,042.35 | \$ 11,017.98 | \$ 95,060.33 |
| Receivables, Net | 55,149.90 | 19,076.10 | 74,226.00 |
| Internal Balances | 49,069.25 | (45,797.00) | 3,272.25 |
| Inventory | | 2,894.27 | 2,894.27 |
| Restricted Assets: | | | |
| Capital Assets, Net (Note 6) | 3,548,276.00 | 14,125.00 | 3,562,401.00 |
| Total Assets | <u>3,736,537.50</u> | <u>1,316.35</u> | <u>3,737,853.85</u> |
| LIABILITIES | | | |
| Accounts Payable | 202,864.40 | 11,815.60 | 214,680.00 |
| Deferred Revenue | 73,325.77 | | 73,325.77 |
| Noncurrent Liabilities (Note 7) | | | |
| Due Within One Year | - | 4,995.36 | 4,995.36 |
| Due Beyond One Year | 188,112.50 | 9,625.62 | 197,738.12 |
| Total Liabilities | <u>464,302.67</u> | <u>26,436.58</u> | <u>490,739.25</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 3,548,276.00 | (495.98) | 3,547,780.02 |
| Restricted for: | | | |
| Debt Service (Deficit) | | | - |
| Capital Projects | 738.44 | | 738.44 |
| Other Purposes (Deficit) | 105,241.29 | | 105,241.29 |
| Unrestricted (Deficit) | (378,571.90) | (24,624.25) | (403,196.15) |
| Total Net Assets | <u>\$ 3,275,683.83</u> | <u>\$ (25,120.23)</u> | <u>\$ 3,250,563.60</u> |

BOROUGH OF WOODBINE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2009

| Function/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------|-------------------------|--|--|--|-----------------------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$ 1,199,047.82 | \$ - | \$ - | \$ - | \$ (1,199,047.82) | \$ - | \$ (1,199,047.82) |
| Special Education | 740,378.07 | | 772,263.57 | | 31,885.50 | | 31,885.50 |
| Other Special Instruction | 125,029.58 | | | | (125,029.58) | | (125,029.58) |
| Support Services: | | | | | | | |
| Tuition | 1,326,866.72 | | | | (1,326,866.72) | | (1,326,866.72) |
| Student & Instruction Related Services | 872,453.84 | | | | (872,453.84) | | (872,453.84) |
| School Administrative Services | 69,270.73 | | | | (69,270.73) | | (69,270.73) |
| General Administrative Services | 146,978.31 | | | | (146,978.31) | | (146,978.31) |
| Central Services | 146,235.32 | | | | (146,235.32) | | (146,235.32) |
| Plant Operation and Maintenance | 301,633.42 | | | | (301,633.42) | | (301,633.42) |
| Pupil Transportation | 324,007.74 | | | | (324,007.74) | | (324,007.74) |
| Special Schools | 8,811.89 | | | | (8,811.89) | | (8,811.89) |
| Total Governmental Activities | 5,260,713.44 | - | 772,263.57 | - | (4,488,449.87) | - | (4,488,449.87) |
| Business-Type Activities: | | | | | | | |
| Latchkey | 8,202.68 | 4,772.59 | | | | (3,430.09) | (3,430.09) |
| Food Service | 182,891.31 | 43,630.45 | 117,513.46 | | | (21,747.40) | (21,747.40) |
| Total Business-Type Activities | 191,093.99 | 48,403.04 | 117,513.46 | | | (25,177.49) | (25,177.49) |
| Total Primary Government | \$ 5,451,807.43 | \$ 48,403.04 | \$ 889,777.03 | \$ - | \$ (4,488,449.87) | \$ (25,177.49) | \$ (4,513,627.36) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes, Levied for General Purposes, Net | | | | | \$ 1,224,753.00 | \$ - | \$ 1,224,753.00 |
| Federal and State Aid not Restricted | | | | | 3,122,039.45 | | 3,122,039.45 |
| Miscellaneous Income | | | | | 30,652.25 | 250.26 | 30,902.51 |
| Transfers | | | | | (30,754.00) | 30,754.00 | - |
| Total General Revenues, Special Items, Extraordinary Items and Transfers | | | | | 4,346,690.70 | 31,004.26 | 4,377,694.96 |
| Change in Net Assets | | | | | (141,759.17) | 5,826.77 | (135,932.40) |
| Net Assets - Beginning | | | | | 3,417,443.00 | (30,947.00) | 3,386,496.00 |
| Net Assets - Ending | | | | | \$ 3,275,683.83 | \$ (25,120.23) | \$ 3,250,563.60 |

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

FUND FINANCIAL STATEMENTS

The individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

BOROUGH OF WOODBINE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2009

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 60,626.96 | \$ 22,676.95 | \$ 738.44 | \$ - | \$ 84,042.35 |
| Due from Other Funds | | 74,880.55 | | | 74,880.55 |
| Receivables from Other Governments | 7,213.66 | 47,936.24 | | | 55,149.90 |
| Total Assets | <u>\$ 67,840.62</u> | <u>\$ 145,493.74</u> | <u>\$ 738.44</u> | <u>\$ -</u> | <u>\$ 214,072.80</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 99,568.43 | \$ 80,070.97 | \$ - | \$ - | \$ 179,639.40 |
| Due to Other Funds | 25,811.30 | | | | 25,811.30 |
| Due to Other Government | | 23,225.00 | | | 23,225.00 |
| Deferred Revenue | | 73,325.77 | | | 73,325.77 |
| Total Liabilities | <u>125,379.73</u> | <u>176,621.74</u> | <u>-</u> | <u>-</u> | <u>302,001.47</u> |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 36,369.29 | | | | 36,369.29 |
| Designated for Subsequent Year's Expenditures | 100,000.00 | | | | 100,000.00 |
| Unreserved, Reported in: | | | | | |
| General Fund (Deficit) | (190,459.40) | | | | (190,459.40) |
| Special Revenue Fund (Deficit) | | (31,128.00) | | | (31,128.00) |
| Capital Project Fund | | | 738.44 | | 738.44 |
| Debt Service Fund | | | | - | - |
| Total Fund Balances | <u>(54,090.11)</u> | <u>(31,128.00)</u> | <u>738.44</u> | <u>-</u> | <u>(84,479.67)</u> |
| Total Liabilities and Fund Balances | <u>\$ 71,289.62</u> | <u>\$ 145,493.74</u> | <u>\$ 738.44</u> | <u>\$ -</u> | |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

The cost of the assets is \$4,753,705.00 and the accumulated depreciation is \$1,205,429.00.

3,548,276.00

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

(188,112.50)

Net assets of governmental activities

\$ 3,275,683.83

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

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|-----------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES | | | | | |
| Local Sources: | | | | | \$ 1,224,753.00 |
| Local Tax Levy | \$ 1,224,753.00 | \$ - | \$ - | \$ - | 30,652.25 |
| Miscellaneous | 30,652.25 | - | - | - | 1,255,405.25 |
| Total Local Sources | 1,255,405.25 | - | - | - | 3,446,088.45 |
| State Sources | 3,122,039.45 | 324,049.00 | | | 437,670.45 |
| Federal Sources | | 437,670.45 | | | 10,544.12 |
| Local Sources: | | 10,544.12 | | | 5,149,708.27 |
| Total Revenues | 4,377,444.70 | 772,263.57 | - | - | |
| EXPENDITURES | | | | | |
| Current: | | | | | 922,663.11 |
| Regular Instruction | 922,663.11 | | | | 563,501.47 |
| Special Education Instruction | 205,066.00 | 358,435.47 | | | 95,159.97 |
| Other Special Instruction | 95,159.97 | | | | |
| Support Services: | | | | | 1,326,866.72 |
| Tuition | 1,326,866.72 | | | | 690,548.30 |
| Student & Instruction Related Serv. | 265,206.20 | 425,342.10 | | | 53,104.88 |
| School Administrative Services | 53,104.88 | | | | 129,076.20 |
| General Administrative Services | 129,076.20 | | | | 109,592.44 |
| Central Services | 109,592.44 | | | | 301,302.92 |
| Plant Operation and Maintenance | 301,302.92 | | | | 322,350.21 |
| Pupil Transportation | 322,350.21 | | | | 655,318.65 |
| Employee Benefits | 655,318.65 | | | | 8,615.00 |
| Special Schools | 8,615.00 | | | | 31,730.51 |
| Capital Outlay | 31,730.51 | | | | |
| Total Expenditures | 4,426,052.81 | 783,777.57 | - | - | 5,209,830.38 |
| Excess (Deficiency) of Revenues Over Expenditures | (48,608.11) | (11,514.00) | - | - | (60,122.11) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer out | (30,754.00) | | | | (30,754.00) |
| Total Other Financing Sources and Uses | (30,754.00) | - | - | - | (30,754.00) |
| Net Changes in Fund Balance | (79,362.11) | (11,514.00) | - | - | (90,876.11) |
| Fund Balance (Deficit) - July 1 | 25,272.00 | (19,614.00) | 738.44 | - | 6,396.44 |
| Fund Balance (Deficit) - June 30 | \$ (54,090.11) | \$ (31,128.00) | \$ 738.44 | \$ - | \$ (84,479.67) |

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

Total Net Change in Fund Balance - Governmental Funds (from B-2) \$ (90,876.11)

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

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

| | | |
|----------------------------------|----------------|-------------|
| Depreciation expense | \$ (65,673.00) | |
| Capital Outlay, Net of Deletions | 31,730.51 | (33,942.49) |

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

(16,940.57)

Change in Net Assets of Governmental Activities

\$ (141,759.17)

BOROUGH OF WOODBINE SCHOOL DISTRICT
Proprietary Funds
Statement of Net Assets
June 30, 2009

| | Business-Type Activities - Enterprise Fund | | |
|---|---|----------------------|-----------------------|
| | Food Service | Latchkey Program | Total Enterprise |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 4,340.23 | \$ 6,677.75 | \$ 11,017.98 |
| Intergovernmental Accounts Receivable | 7,018.43 | | 7,018.43 |
| Accounts Receivable | 12,057.67 | | 12,057.67 |
| Inventory | 2,894.27 | | 2,894.27 |
| Total Current Assets | <u>26,310.60</u> | <u>6,677.75</u> | <u>32,988.35</u> |
| Noncurrent Assets: | | | |
| Furniture, Machinery & Equipment | 84,914.00 | | 84,914.00 |
| Less: Accumulated Depreciation | (70,789.00) | | (70,789.00) |
| Total Noncurrent Assets | <u>14,125.00</u> | <u>-</u> | <u>14,125.00</u> |
| Total Assets | <u>\$ 40,435.60</u> | <u>\$ 6,677.75</u> | <u>\$ 47,113.35</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 11,815.60 | \$ - | \$ 11,815.60 |
| Interfund Payable | 35,867.00 | 9,930.00 | 45,797.00 |
| Total Current Liabilities | <u>47,682.60</u> | <u>9,930.00</u> | <u>57,612.60</u> |
| Noncurrent Liabilities: | | | |
| Capital Leases Payable | 14,620.98 | - | 14,620.98 |
| Total Noncurrent Liabilities | <u>14,620.98</u> | <u>-</u> | <u>14,620.98</u> |
| NET ASSETS | | | |
| Invested in Capital Assets Net of Related Debt | (495.98) | - | (495.98) |
| Unrestricted (Deficit) | (21,372.00) | (3,252.25) | (24,624.25) |
| Total Net Assets (Deficit) | <u>\$ (21,867.98)</u> | <u>\$ (3,252.25)</u> | <u>\$ (25,120.23)</u> |

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

| | Business-Type Activities - Enterprise Fund | | |
|--|---|----------------------|-----------------------|
| | Food Service | Latchkey Program | Total Enterprise |
| Operating Revenues: | | | |
| Charges for Services: | | | |
| Daily Sales | \$ 43,630.45 | \$ - | \$ 43,630.45 |
| Program Fees | | 4,772.59 | 4,772.59 |
| Total Operating Revenue | <u>43,630.45</u> | <u>4,772.59</u> | <u>48,403.04</u> |
| Operating Expenses: | | | |
| Cost of Sales | 78,271.41 | | 78,271.41 |
| Salaries | 55,103.29 | 6,321.25 | 61,424.54 |
| Employee Benefits | 21,725.92 | | 21,725.92 |
| Management Fee | 14,153.58 | | 14,153.58 |
| Insurance | 2,014.34 | | 2,014.34 |
| General Supplies | 6,922.77 | | 6,922.77 |
| Miscellaneous | | 1,881.43 | 1,881.43 |
| Depreciation | 4,700.00 | | 4,700.00 |
| Total Operating Expenses | <u>182,891.31</u> | <u>8,202.68</u> | <u>191,093.99</u> |
| Operating Income (Loss) | <u>(139,260.86)</u> | <u>(3,430.09)</u> | <u>(142,690.95)</u> |
| Nonoperating Revenues (Expenses): | | | |
| State Sources: | | | |
| State School Lunch Program | 2,919.24 | | 2,919.24 |
| State Breakfast Program | 1,575.90 | | 1,575.90 |
| Federal Sources: | | | |
| National School Lunch Program | 70,669.78 | | 70,669.78 |
| Federal Breakfast Program | 25,250.64 | | 25,250.64 |
| Snack Program | 4,309.70 | | 4,309.70 |
| Food Distribution Program | 12,788.20 | | 12,788.20 |
| Interest and Investment Income | 152.42 | 97.84 | 250.26 |
| Total Nonoperating Revenues (Expenses) | <u>117,665.88</u> | <u>97.84</u> | <u>117,763.72</u> |
| Income (Loss) before Contributions & Transfers | <u>(21,594.98)</u> | <u>(3,332.25)</u> | <u>(24,927.23)</u> |
| Contributions & Transfers | | | |
| Transfer from General Fund | 30,754.00 | | 30,754.00 |
| Changes in Net Assets | <u>9,159.02</u> | <u>(3,332.25)</u> | <u>5,826.77</u> |
| Total Net Assets (Deficit) - Beginning | <u>(31,027.00)</u> | <u>80.00</u> | <u>(30,947.00)</u> |
| Total Net Assets (Deficit) - Ending | <u>\$ (21,867.98)</u> | <u>\$ (3,252.25)</u> | <u>\$ (25,120.23)</u> |

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

| | Business-Type Activities - Enterprise Fund | | |
|---|---|----------------------|------------------------|
| | Food Service | Latchkey Program | Total Enterprise |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 42,509.78 | \$ 4,772.59 | \$ 47,282.37 |
| Payments for Operations | (176,361.18) | (8,202.68) | (184,563.86) |
| Net Cash Provided by (Used for) Operating Activities | <u>(133,851.40)</u> | <u>(3,430.09)</u> | <u>(137,281.49)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| State Sources | 4,428.20 | | 4,428.20 |
| Federal Sources | 98,558.01 | | 98,558.01 |
| Operating Subsidies and Transfers from Other Funds | 30,754.00 | | 30,754.00 |
| Net Cash Provided by (Used for) Noncapital Financing Activities | <u>133,740.21</u> | <u>-</u> | <u>133,740.21</u> |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| None | | | - |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Interest and Investment Income | 152.42 | 97.84 | 250.26 |
| Net Cash Provided by (Used for) Investing Activities | <u>152.42</u> | <u>97.84</u> | <u>250.26</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 41.23 | (3,332.25) | (3,291.02) |
| Balance - Beginning of Year | 4,299.00 | 10,010.00 | 14,309.00 |
| Balance - End of Year | <u>\$ 4,340.23</u> | <u>\$ 6,677.75</u> | <u>\$ 11,017.98</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ (139,260.86) | \$ (3,430.09) | \$ (142,690.95) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | |
| Depreciation and Net Amortization | 4,700.00 | | 4,700.00 |
| Food Distribution Program | 12,788.20 | | 12,788.20 |
| (Increase) Decrease in Inventories | 1,324.73 | | 1,324.73 |
| (Increase) Decrease in Accounts Receivable | (1,120.67) | | (1,120.67) |
| Increase (Decrease) in Accounts Payable | (12,282.80) | | (12,282.80) |
| Total Adjustments | <u>5,409.46</u> | <u>-</u> | <u>5,409.46</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ (133,851.40)</u> | <u>\$ (3,430.09)</u> | <u>\$ (137,281.49)</u> |

BOROUGH OF WOODBINE SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Assets
June 30, 2009

| | Private Purpose Trust | Agency Fund |
|-------------------------------------|-----------------------------|---------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,099.37 | \$ 15,209.49 |
| Total Assets | <u>\$ 1,099.37</u> | <u>\$ 15,209.49</u> |
| LIABILITIES | | |
| Payable to Student Groups | \$ | 1,832.13 |
| Payroll Deductions and Withholdings | | 10,105.11 |
| Interfund | | 3,272.25 |
| Total Liabilities | <u>-</u> | <u>\$ 15,209.49</u> |
| NET ASSETS | | |
| Held in Trust for Other Purposes | <u>\$ 1,099.37</u> | |

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

| | Private Purpose Trust |
|------------------------------------|-----------------------------|
| ADDITIONS | |
| Contributions: | |
| Donations | \$ 500.00 |
| Total Contributions | <u>500.00</u> |
| Investment Earnings: | |
| Interest | 9.37 |
| Less: Investment Expense | |
| Net Investment Earnings | <u>9.37</u> |
| Total Additions | <u>509.37</u> |
| DEDUCTIONS | |
| None | |
| Total Deductions | <u>-</u> |
| Changes in Net Assets | 509.37 |
| Net Assets - Beginning of the Year | 590.00 |
| Net Assets - End of the Year | <u>\$ 1,099.37</u> |

**BOROUGH OF WOODBINE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. The Borough of Woodbine School District is a Type II district located in the County of Cape May, State of New Jersey. As a Type II School District, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8.

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

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

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

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

Basis of Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Governmental Funds

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Proprietary Funds

The District reports the following proprietary fund:

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

The District's Enterprise Funds are comprised of the Food Service Fund, which accounts for all revenues and expenses pertaining to the District's cafeteria operations and the Latchkey Fund, which accounts for all revenues and expenses pertaining to the District's after-school care operations.

Fiduciary Funds

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

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

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. Currently, the District does not maintain this type of fund.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Measurement Focus and Basis of Accounting

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

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

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

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

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Budgets/Budgetary Control - Continued

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

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

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

D. Encumbrance Accounting

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

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

E. Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, bank deposits and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Cash, Cash Equivalents and Investments - Continued

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

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

Interfund Transactions

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

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

Inventories

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

Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 45 years for land improvements and buildings, and 5 to 20 years for equipment.

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

BOROUGH OF WOODBINE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Compensated Absences

The District accounts for compensated absences (e.g., unused sick, vacation leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

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

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

Deferred Revenue

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

Accrued Liabilities and Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Net Assets

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

Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues – Exchange and Nonexchange Transactions

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

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

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

Operating Revenues and Expenses

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 3 amended by Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments.

The cash deposits not covered by depository insurance held at financial institutions are categorized as follows:

- a. Deposits are uncollateralized.
- b. Deposits are collateralized with securities held by the pledging financial institution.
- c. Deposits collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

At June 30, 2009, the carrying amount of the District's deposits (cash and cash equivalents) was \$111,903.55 and the bank balance was \$288,799.69.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The State of New Jersey has certain collateral requirements for governmental units. These requirements are disclosed in detail as part of Note 1E.

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

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

As of June 30, 2009, the District's bank balance was exposed to custodial credit risk as follows:

| | <u>Cash and Cash Equivalents</u> |
|--|--------------------------------------|
| Insured | \$ 250,000.00 |
| Uninsured and collateral held by pledging bank's trust department not in the District's name | 6,502.87 |
| | <u>32,296.82</u> |
| Uninsured | \$ <u>288,799.69</u> |

Bank balances of cash amounted to \$288,799.69 as of June 30, 2009 of which \$250,000.00 was FDIC insured. Bank balances in excess of the insured amounts that are collateralized in accordance with the Governmental Deposit Protection Act (GUDPA) adopted by the State of New Jersey were \$6,502.87. As of June 30, 2009, \$32,296.82 was uninsured and uncollateralized

Investments

The District did not have any investments at June 30, 2009.

NOTE 3 – RECEIVABLES

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

| | <u>Governmental Fund Financial Statements</u> | <u>Government Wide Financial Statements</u> |
|------------------------------------|---|---|
| State and Federal Aid | \$ 50,107.69 | \$ 57,126.12 |
| Other | <u>5,042.21</u> | <u>17,099.88</u> |
| Gross Receivables | 55,149.90 | 74,226.00 |
| Less: Allowance for Uncollectibles | <u>-</u> | <u>-</u> |
| Total Receivables, Net | \$ <u>55,149.90</u> | \$ <u>74,226.00</u> |

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

NOTE 4 – INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to (1) move investment income earned in the Capital Projects Fund that is required to be expended in the Debt Service Fund or General Fund; (2) repay expenses paid by another fund; (3) make a Board contribution to the Unemployment Compensation Trust Fund; and (4) transfer federal and state food subsidies received in the General Fund to the Food Service Fund.

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

| Fund | Interfund Receivable | Interfund Payable |
|----------------------|-------------------------|----------------------|
| General Fund | \$ | \$ 25,811.30 |
| Special Revenue Fund | 74,880.55 | |
| Food Service Fund | | 35,867.00 |
| Latchkey Fund | | 9,930.00 |
| Trust and Agency | | 3,272.25 |
| Total | \$ 74,880.55 | \$ 74,880.55 |

NOTE 5 – INVENTORY

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

| | |
|----------|--------------------|
| Food | \$ 1,907.19 |
| Supplies | 987.08 |
| | <u>\$ 2,894.27</u> |

BOROUGH OF WOODBINE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 6 – CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Adjustments</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|----------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 4,320,450.00 | \$ 27,281.50 | \$ | \$ 4,347,731.50 |
| Equipment | 401,525.00 | 4,448.00 | | 405,973.00 |
| Total capital assets being depreciated at historical cost | <u>4,721,975.00</u> | <u>31,729.50</u> | <u>-</u> | <u>4,753,704.50</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (753,039.00) | (61,811.50) | (3,000.00) | (817,850.50) |
| Equipment | (383,716.00) | (3,862.00) | | (387,578.00) |
| Total capital assets being depreciated, net of accumulated depreciation | <u>3,585,220.00</u> | <u>(33,944.00)</u> | <u>(3,000.00)</u> | <u>3,548,276.00</u> |
| Governmental activity capital assets, net | <u>\$ 3,585,220.00</u> | <u>\$ (33,944.00)</u> | <u>\$ (3,000.00)</u> | <u>\$ 3,548,276.00</u> |
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Equipment | \$ 84,914.00 | \$ | \$ | \$ 84,914.00 |
| Less accumulated depreciation | (66,089.00) | (4,700.00) | | (70,789.00) |
| Enterprise Fund capital assets, net | <u>\$ 18,825.00</u> | <u>\$ (4,700.00)</u> | <u>\$ -</u> | <u>\$ 14,125.00</u> |

NOTE 7 – LONG-TERM OBLIGATIONS

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

| | <u>Balance July 1, 2008</u> | <u>Issues or Additions</u> | <u>Payments or Expenditures</u> | <u>Balance June 30, 2009</u> | <u>Amounts Due Within One Year</u> |
|----------------------|---------------------------------|--------------------------------|-------------------------------------|----------------------------------|--|
| Compensated Absences | \$ 171,173.00 | \$ 16,939.50 | \$ | \$ 188,112.50 | \$ |
| Capital Leases | 18,901.00 | | 4,280.02 | 14,620.98 | 4,995.36 |
| | <u>\$ 190,074.00</u> | <u>\$ 16,939.50</u> | <u>\$ 4,280.02</u> | <u>\$ 202,733.48</u> | <u>\$ 4,995.36</u> |

Compensated absences will be liquidated in the General Fund and capital leases will be liquidated in the Food Service Fund.

Bonds Payable

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

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

NOTE 7 – LONG-TERM OBLIGATIONS - Continued

Capital Leases

As of June 30, 2009, the District had two outstanding capital lease obligations. The district's enterprise fund is leasing a food steamer and a convection oven. Monthly lease payments are made to Susquehanna Commercial Leasing, and include interest at a rate of 6.43% and 6.66% per annum respectively. The following is a schedule of future minimum lease payments under this capital lease and the net minimum lease at June 30, 2009.

| Fiscal Year Ending June 30, | Principal |
|-----------------------------------|---------------------|
| 2010 | \$ 5,861.04 |
| 2011 | 5,861.04 |
| 2012 | 4,395.78 |
| Total minimum lease payments | 16,117.86 |
| Less amount representing interest | 1,496.88 |
| Present value of lease payments | \$ <u>14,620.98</u> |

NOTE 8 – OPERATING LEASES

Effective January 1, 2005, the Board of Education entered into a lease agreement for a Cannon Image Runner 2800 copier for a term of 60 months. Monthly rent of the machine is \$208.42 commencing January 1, 2005.

Effective March 1, 2005, the Board of Education entered into a lease agreement for an IR5000 Digital Cannon copier and an IR8500 Digital Cannon copier for a term of 60 months. There was no charge for the first three months of usage. Monthly rent on the machines is \$486.91 commencing June 1, 2005.

The following is a schedule of the future minimum lease payments under the leases:

| Year Ending June 30, | |
|----------------------|--------------------|
| 2010 | \$ <u>5,356.00</u> |
| | \$ <u>5,356.00</u> |

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

NOTE 9 – PENSION PLANS

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

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

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

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contribution amounts for each pay period are required to be transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District has no employees enrolled in the Defined Contribution Retirement Program (DCRP) during the fiscal year ended June 30, 2009.

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

NOTE 9 – PENSION PLANS - Continued

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

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

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a non-contributing employer of the TPAF.

| <u>Year Funding</u> | | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------|----|--|--|---------------------------------------|
| 06/30/09 | \$ | 25,831.00 | 100% | \$ - |
| 06/30/08 | | 12,295.00 | 100% | - |
| 06/30/07 | | 4,267.00 | 100% | - |

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

NOTE 9 – PENSION PLANS - Continued

| Three Year Trend Information for TPAF (Paid on behalf of the District) | | | |
|--|---------------------------------|-------------------------------------|------------------------------|
| Year Funding | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 6/30/2009 | \$ 104,597.00 | 100% | \$ - |
| 6/30/2008 | 130,293.00 | 100% | - |
| 6/30/2007 | 124,096.00 | 100% | - |

During the fiscal year ended June 30, 2009, the State of New Jersey contributed \$104,597.00 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$119,636.45 during the year ended June 30, 2009 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GASB Statement No. 24.

NOTE 10 – POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program ("the SHBP"), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Divisions of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, 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 eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

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

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

NOTE 11 – COMPENSATED ABSENCES

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

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

NOTE 12 – DEFERRED COMPENSATION

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

Lincoln Investment Planning
Syracusa Benefits Program
Travelers

NOTE 13 – RISK MANAGEMENT

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

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

New Jersey Unemployment and Compensation Insurance – The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method".

Worker's Compensation Fund – The Board Currently maintains traditional insurance for its worker's compensation coverage.

NOTE 14 – CONTINGENT LIABILITIES

Federal and State Grants

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

NOTE 15 – FUND BALANCE APPROPRIATED

General Fund - Of the (\$54,090.11) General Fund balance at June 30, 2009, \$36,369.29 is reserved for encumbrances; \$100,000.00 has been utilized in the 2009-2010 budget; and (\$190,459.40) is unreserved and undesignated.

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

NOTE 16 – CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, 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 balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount of budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2009 is \$0.00.

NOTE 17 - DEFICIT FUND BALANCES

The District has a deficit fund balance of \$57,539.11 in the General Fund and \$31,128.00 in the Enterprise Fund at June 30, 2009 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payment(s) in the subsequent fiscal year, the school district cannot recognize the June state aid payment(s) (on the GAAP financial statements) until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the General Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of \$88,667.11 is less than the last two state aid payments.

APPENDIX C

Form of Approving Legal Opinion

McMANIMON & SCOTLAND, L.L.C.

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The Board of Education of the
Borough of Woodbine in the
County of Cape May, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Borough of Woodbine in the County of Cape May, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$3,682,000 School Bonds, dated August 24, 2010 (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on November 17, 2009 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on December 8, 2009 and (iii) a resolution duly adopted by the Board of Education on June 22, 2010. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the school district for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Board of Education has covenanted to comply with continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve tax exemption under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain requirements of the Code may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the

Board of Education continuously complies with its covenant and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education, it is our opinion that interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds is not counted in determining "adjusted current earnings" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

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

Very truly yours,