

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 21, 2011**

**NEW ISSUE – Book-Entry Only**

**Ratings: Moody's: “\_\_\_” (School Bond Reserve Act)**

**Moody's: “\_\_\_” (Underlying Rating)**

**(See “RATINGS” herein)**

*In the opinion of GluckWalrath LLP, Bond Counsel assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), applicable to the Bonds and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the respective dates of original delivery of the Bonds, interest received by holders of the Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes under Section 57 of the Code for individuals or corporations. However, interest on the Bonds may become taxable retroactively if certain requirements under the Code are not complied with. For certain corporate holders, interest on the Bonds will be taken into account in the calculation of such holders' alternative minimum tax liability. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Bonds.*

**\$4,113,000**

**THE BOARD OF EDUCATION OF THE CENTRAL REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF OCEAN, NEW JERSEY  
SCHOOL DISTRICT BONDS, SERIES 2011  
(New Jersey School Bond Reserve Act, 1980 N.J. Law c.72, as amended)  
(NON-CALLABLE)(BANK QUALIFIED)**

**DATED: Date of Delivery**

**DUE: July 15, as shown below**

The \$4,113,000 School District Bonds, Series 2011 (the “Bonds”) of the Board of Education of the Central Regional School District in the County of Ocean, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board and, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A: 56-17 et. seq., 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully-registered bonds in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Bonds may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof. Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Bonds. See “THE BONDS - Book-Entry Only System” herein.

Principal of the Bonds is payable on July 15 in each of the years set forth below. Interest on the Bonds is payable initially on January 15, 2012 and semiannually thereafter on January 15 and July 15 of each year until maturity. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Board directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 1 and July 1 (the “Record Dates” for the payment of interest on the Bonds). The Bonds are not subject to redemption prior to their stated maturities.

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

<u>Year</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$160,000			2017	\$750,000		
2013	160,000			2018	675,000		
2014	170,000			2019	520,000		
2015	175,000			2020	400,000		
2016	850,000			2021	253,000		

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.**

The Bonds are offered when, as and if issued and subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by the law firm of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by its general counsel, Thomas P. Gannon, Esq., Toms River, New Jersey. Phoenix Advisors, LLC has served as financial advisor in connection with the Bonds. The Bonds are expected to be available for delivery in definitive form through DTC in New York, New York on or about April 14, 2011.

**ELECTRONIC PROPOSALS WILL BE RECEIVED FOR THE BONDS ON  
MARCH 29, 2011 UNTIL 11:00AM VIA PARITY. ALL PROPOSALS MUST BE  
IN ACCORDANCE WITH THE NOTICE OF SALE POSTED AT WWW.I-  
DEALPROSPECTUS.COM.**

**THE BOARD OF EDUCATION OF THE CENTRAL REGIONAL SCHOOL DISTRICT  
IN THE COUNTY OF OCEAN, NEW JERSEY**

**BOARD MEMBERS**

Denise Pavone-Wilson, President  
Keith Buscio, Vice President  
Francis L. Clayton  
Gail Coleman  
Susan Cowdrick  
Christine Dwight  
Robert Everett  
Frances Little  
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Triantafillos Parlapandis, Ed.D.

**SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Kevin O'Shea

**BOARD AUDITOR**

William E. Antonides and Company  
Wall, New Jersey

**BOARD ATTORNEY**

Thomas P. Gannon, Esq.  
Toms River, New Jersey

**BOND COUNSEL**

GluckWalrath LLP  
Trenton, New Jersey

**FINANCIAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

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

References in this document 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.

This document 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.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
THE BONDS .....	1
General Description.....	1
Book-Entry Only System .....	2
Discontinuation of Book-Entry Only System.....	4
AUTHORIZATION AND USE OF PROCEEDS .....	4
SECURITY FOR THE BONDS .....	4
THE SCHOOL DISTRICT .....	5
NEW JERSEY SCHOOL BOND RESERVE ACT N.J.S.A. 18A: 56-17 ET SEQ. ....	5
THE STATE'S ROLE IN PUBLIC EDUCATION .....	6
STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY .....	7
Categories of School Districts .....	7
School Budgetary Process (N.J.S.A. 18A:22-1 et seq.) .....	7
SUMMARY OF THE ELEMENTARY AND SECONDARY EDUCATION SYSTEM IN NEW JERSEY .....	7
State Department of Education.....	7
State Board of Education.....	7
Commissioner of Education .....	8
Executive County Superintendents.....	8
Categories of School Districts .....	8
SUMMARY OF STATE AID TO SCHOOL DISTRICTS .....	9
General .....	9
The Quality Education Act of 1990.....	9
Comprehensive Educational Improvement and Financing Act of 1996.....	10
Elements of the Comprehensive Plan.....	10
Impact of Reduction in State Aid .....	12
SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS .....	12
SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT .....	13
Budgets and Appropriations (N.J.S.A. 18A:22-1 et seq. as amended by N.J.S.A. 18A:7A-1 et seq.) ..	13
Limitation on Increases in the Budget (the "Cap").....	13
Uniform System of Bookkeeping (N.J.S.A. 18A:4-14) .....	13
Annual Audits (N.J.S.A. 18A:23-1 et seq.).....	13
Issuance of Debt (N.J.S.A. 18A:24-1 et seq.).....	14
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES ...	14
Local Bond Law (N.J.S.A. 40A:2-1 et seq.) .....	14
Debt Limits .....	15
Exceptions to Debt Limits - Extensions of Credit.....	15
Short Term Financing.....	15
The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) .....	15
Tax Appeals.....	17
The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.) .....	18
School Debt Subject to Voter Approval .....	18
LITIGATION.....	18
TAX MATTERS.....	19
Federal Taxation.....	19
[Original Issue Premium] .....	20
[Original Issue Discount] .....	20

	<b><u>Page</u></b>
State Taxation.....	21
RATINGS .....	21
UNDERWRITING .....	22
LEGALITY FOR INVESTMENT.....	22
FINANCIAL STATEMENTS .....	22
MUNICIPAL BANKRUPTCY .....	22
FINANCIAL ADVISOR .....	23
APPROVAL OF LEGAL PROCEEDINGS .....	23
CONTINUING DISCLOSURE.....	23
PREPARATION OF OFFICIAL STATEMENT .....	24
ADDITIONAL INFORMATION.....	24
MISCELLANEOUS .....	24
 APPENDIX A	
CERTAIN DEMOGRAPHIC INFORMATION CONCERNING THE CENTRAL REGIONAL SCHOOL DISTRICT, THE TOWNSHIP OF BERKELEY, THE BOROUGH OF ISLAND HEIGHTS, THE BOROUGH OF OCEAN GATE, THE BOROUGH OF SEASIDE HEIGHTS AND THE BOROUGH OF SEASIDE PARK	
 APPENDIX B	
FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE CENTRAL REGIONAL SCHOOL DISTRICT	
 APPENDIX C	
FORM OF LEGAL OPINION	
 APPENDIX D	
FORM OF CONTINUING DISCLOSURE CERTIFICATE	

**OFFICIAL STATEMENT**  
**Relating to**  
**\$4,113,000 SCHOOL DISTRICT BONDS, SERIES 2011**  
**of**  
**THE BOARD OF EDUCATION OF THE CENTRAL REGIONAL SCHOOL DISTRICT**  
**IN THE COUNTY OF OCEAN, NEW JERSEY**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Board of Education of the Central Regional School District, in the County of Ocean, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the legal entity governed by the Board) in connection with the sale and the issuance of \$4,113,000 School District Bonds, Series 2011 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the School Business Administrator/Board Secretary and may be distributed in connection with the sale of the Bonds.

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.

**THE BONDS**

General Description

The Bonds are dated their date of delivery, will mature on the dates and in the amounts and will bear interest payable semiannually, all as set forth on the cover page hereof. The Bonds are not subject to redemption prior to maturity. The Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign) is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co. (or any successor or assign) as nominee for DTC. Interest on the Bonds is payable initially on January 15, 2012 and semiannually thereafter on January 15 and July 15 (the "Interest Payment Dates") and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on and January 1 and July 1 next preceding each interest payment date (the "Record Dates") for the payment of interest on the Bonds.

## Book-Entry Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), 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.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by 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 and 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. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered securities to the Agent's DTC account.

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 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 system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.**

#### Discontinuation of Book-Entry Only System

If the Board, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Board will attempt to locate another qualified Securities Depository. If the Board fails to find such Securities Depository, or if the Board determines, in its sole discretion, that it is in the best interest of the Board or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Board undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Board shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Bonds is discontinued, the Board has provided that upon receipt of the Bond certificates from DTC and the Participant information, the Board will authenticate (or cause to be authenticated) and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the Bond certificates so provided.

### **AUTHORIZATION AND USE OF PROCEEDS**

The Bonds are authorized and being issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 18A:24-1 *et seq.*), and the acts amendatory thereof and supplemental thereto, a proposal of the Board adopted November 18, 2010 and approved by a majority of the legal voters present and voting at the special School District election held on January 25, 2011, and resolutions of the Board adopted on March 17, 2011 and March \_\_, 2011. Proceeds of the Bonds, along with other funds of the Board, together with Grants from the State of New Jersey, will be used for the: (i) replacement of roof sections at the Central Regional High School and the replacement of windows at the Central Regional High School and Middle School; (ii) connection of the water system for the high school and middle school to the Berkeley Township water system; (iii) district-wide paving project; (iv) necessary onsite and offsite improvements and site work, and the acquisition of and installation of equipment at such locations and/or associated with such improvements; and (v) payment of costs of issuance and delivery of the Bonds.

### **SECURITY FOR THE BONDS**

The Bonds are valid and legally binding general obligations of the Board, and the Board has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. Unless paid from other sources, the Bonds are payable from ad valorem taxes to be levied upon all the taxable real property within the School District without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights or to the application of general principles of equity by a court of competent jurisdiction. See "MUNICIPAL BANKRUPTCY" herein.

## **THE SCHOOL DISTRICT**

The School District is a Type II school district and provides a full range of educational services appropriate to grades seven (7) through twelve (12) for the constituent municipalities of the Township of Berkeley, the Borough of Island Heights, the Borough of Ocean Gate, the Borough of Seaside Heights and the Borough of Seaside Park (collectively, the "Constituent Municipalities"), in the County of Ocean, New Jersey. See "APPENDIX A: CERTAIN DEMOGRAPHIC INFORMATION CONCERNING THE CENTRAL REGIONAL SCHOOL DISTRICT, THE TOWNSHIP OF BERKELEY, THE BOROUGH OF ISLAND HEIGHTS, THE BOROUGH OF OCEAN GATE, THE BOROUGH OF SEASIDE HEIGHTS AND THE BOROUGH OF SEASIDE PARK".

The Board consists of nine members elected to staggered, three-year terms. The superintendent of the School District is the chief administrative officer of the School District and is responsible for the administrative control of the School District. The School Business Administrator/Board Secretary oversees the business functions and reports through the Superintendent to the Board.

### **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")). The recent 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 one and one half percent (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 one percent (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 limit 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 of 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 Act and New School Bond Reserve Act 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 in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required making 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 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.

### **THE STATE'S ROLE IN PUBLIC EDUCATION**

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

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

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

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

administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate districts through the establishment or enlargement of regional school districts, subject to voter approval.

## **STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY**

### Categories of School Districts

State school districts are characterized by the manner in which the board of education or the governing body, takes office. School districts are principally categorized in the categories set forth under "SUMMARY OF THE ELEMENTARY AND SECONDARY EDUCATION SYSTEM IN NEW JERSEY".

### 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 alter 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 THE ELEMENTARY AND SECONDARY EDUCATION SYSTEM IN NEW JERSEY**

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

### State Department of Education

The New Jersey Department of Education (the "Department") was created by the State Legislature to exercise general supervision and control of public education. The Department consists of the State Board and the Commissioner (as defined herein) and various divisions, bureaus and similar bodies established by statute.

### State Board of Education

The Department is guided by the policy established by the State Board of Education (the "State Board") which has the general supervision and control of all public education in the state, except higher education. The State Board is the head of the Department and adopts rules and regulations that have the effect of law and are binding upon local school districts. The State Board also decides on appeals from decisions of the Commissioner on matters of school law or State Board regulations.

### Commissioner of Education

The Commissioner is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is the chief executive officer and secretary of the State Board and has the authority to recommend withholdings of State Financial Aid. The Commissioner's consent is required for authorization to sell school bonds that exceed the statutory debt limits, and the Commissioner also may set the amount to be raised by taxation in a school district in a fiscal year if a school budget has not been approved by the voters of the school district or by a Board of School Estimate, as the case may be, or by the governing body of the municipality.

### Executive County Superintendents

Executive County Superintendents are appointed by the Commissioner, with the approval of the State Board, to act as an agent of the Department in each county. They are charged with the enforcement of rules pertaining to the certification of teachers, financial reports and pupil registers in all school districts within their respective counties.

### Categories of School Districts

New Jersey school districts are characterized by the manner in which the board of education, the governing body, takes office. Type I school districts, most commonly found in cities, have a board of education appointed by the mayor or the chief executive officer of the municipality. In a Type II school district, the board of education is elected by the voters of the school district. Regional school districts are similar to Type II school districts.

School districts are principally in the following categories:

1. Type I in which the governing body of a municipality appoints the members of a board of education and a board of school estimate, consisting of two members of the board of education and two members of the governing body and the chief executive of the municipality comprising a 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 is appointed, consisting of two members of the governing body of and the chief executive of each municipality within the district and one member of the board of education, who 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 (grades K-12) or limited purpose school districts (grades less than K-12).
4. State-operated school districts created by the State Board of Education pursuant to law when a local board of education cannot or will not correct severe educational deficiencies.
5. County vocational school districts in which the board of chosen freeholders of the county appoints the members of the board 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 it can have seven (7) members and a board of school estimate, consisting of two members appointed by the board of education,

two 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, approves all fiscal matters.

6. County special services school districts in which the board of chosen freeholders of the county appoints the members of the board of education consisting of the county superintendent and six (6) persons and a board of school estimate, consisting of two members appointed by the board of education, two members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, approves all fiscal matters.

School districts may change from Type I to Type II or Type II to Type I school districts only with the approval of the voters, and school districts may withdraw from or create new regional school districts only with the approval of the Commissioner of Education. The School District is a Type II School District without a board of school estimate.

## **SUMMARY OF STATE AID TO SCHOOL DISTRICTS**

### **General**

In 1973, the Supreme Court of the State ruled in Robinson v. Cahill that the existing method of financing school costs principally through property taxation was unconstitutional. Pursuant to the Supreme Court's ruling, the State Legislature enacted the Public School Education Act of 1975 (P.L. 1975, c. 212), as amended and partially repealed, which required funding of the State's school aid through a New Jersey Gross Income Tax Act (P.L. 1975, c. 47), as amended and supplemented, enacted for the purpose of providing property tax relief.

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

### **The Quality Education Act of 1990**

The legislative response to Abbott v. Burke was the passage of the Quality Education Act of 1990 (the "QEA"), (P.L. 1990, c. 52), now repealed, which was signed into law on July 3, 1990. QEA established a new formula for the distribution of state aid for public education, beginning with the 1991/92 fiscal year. The law provided a formula that took into account property values and personal income to determine a district's capacity to raise money for public education. A budgetary limitation, or "CAP" on expenditures, was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The QEA was amended and revised by Chapter 62 of the Pamphlet Laws of 1991 of New Jersey, effective March 14, 1991, and further amended by Chapter 7 of the Pamphlet Laws of 1993, effective July 14, 1993.

On July 12, 1994, the Supreme Court of New Jersey declared the school aid formula under QEA, as amended, unconstitutional on several grounds as it is applied to the 30 special needs school districts (the "Abbott Districts") in the ongoing litigation commonly known as Abbott v. Burke II. No specific remediation was ordered, but the Supreme Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that any new formula would be implemented in the 1997/98 fiscal period and thereafter.

## Comprehensive Educational Improvement and Financing Act of 1996

In keeping with the Supreme Court's deadline, Governor Christine Todd Whitman signed into law on December 20, 1996 the Comprehensive Educational Improvement and Financing Act of 1996 ("CEIFA"). CEIFA affects how public schools are funded by the State, beginning in the 1997/98 fiscal year. CEIFA was recently amended by P.L. 2004, c.73, effective July 1, 2004, to among other provisions, lower the Spending Growth Limitation for school districts and recently further amended and superceded by P.L. 2007, c.62 to again affect how public schools are funded by placing a 4% cap on the amount that a school district can raise for its budget from property taxes.

### Elements of the Comprehensive Plan

CEIFA departs from other funding formulas adopted in New Jersey by defining what constitutes a "thorough and efficient" education, which is what the New Jersey Constitution requires every public school student to receive. CEIFA further establishes the costs to provide each student with an education that is "thorough and efficient".

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

The definition of an "efficient" education under CEIFA determines the cost to provide each student with an education that fulfills the requirements for the Core Curriculum Content Standards. The efficiency standard defines such things as optimal class size, administrators/teachers per student, schools per district, and the types and amount of classroom supplies, services, and materials. CEIFA establishes an approximate amount per student to educate each student at various grade levels in the Core Curriculum Content Standards. This amount will be adjusted biennially for inflation by the consumer price index.

In determining how much Core Curriculum Standards Aid a school district will receive, CEIFA considers each school district's financial ability to fund such a level of education. This component of CEIFA is referred to as the local share requirement, namely, the amount of taxes that a school district can raise relative to other school districts based on property wealth and income levels. The purpose of the Core Curriculum Standards Aid is to provide school districts with adequate State assistance that is proportionate to their ability to pay. The purpose of this type of aid is to ensure that all school districts have the economic ability to provide their students with the ability to achieve the Core Curriculum Content Standards. In addition to the Core Curriculum Standards Aid, CEIFA also provides per-pupil assistance from the state for special education, early childhood programs, demonstrably effective programs, instructional supplement, bilingual education, county vocational schools, and distance learning network.

CEIFA also limits the amount school districts can increase their annual current expenses and capital outlay budgets. Generally, budgets can increase by either 2.5% or the consumer price index, whichever is greater requirements and CEIFA lowered the budget cap from 3% to 2.5%. Budgets can also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceed \$40,000 per pupil. Waivers are available from the Commissioner based on increasing enrollments and other fairly narrow grounds or by approval of the voters at the annual school election. The Spending Growth Limitation provision of

CEIFA are superseded by P.L. 2007, c.62, effective April 3, 2007, to limit the amount a school district can raise for School district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c.62 does provide for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that must be approved by the Commissioner.

Under CEIFA, rent payments made pursuant to a facilities lease purchase agreement entered into prior to December 20, 1996 for a term that exceeds five years are treated as debt service. These rent payments are not included in the spending limits and receive aid at the same level as debt service for the 1998/99 fiscal year. Rent payments under a facilities lease entered into pursuant to CEIFA, must be for a term of five (5) years or less, are budgeted in the general fund and are subject to a school district's spending growth limitation amounts.

On May 14, 1997, the New Jersey Supreme Court held that CEIFA was unconstitutional as it applied to the 28 special needs districts because (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education, and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. The Court recognized the Core Curriculum Standards as a valid means of identifying what is a "thorough and efficient" education under the State Constitution, but found that the state did not adequately determine or provide the adequate funding level to allow those standards to be met in the special needs districts. CEIFA was not held unconstitutional as applied to the non-special needs districts. The School District is not a special needs district.

The Court ordered the State (1) to increase State aid to the special needs districts for the 1997/98 school year to a level such that the per-pupil expenditure in such districts is equivalent to the average per-pupil expenditure in wealthy suburban districts, (2) through the Commissioner, to manage the additional spending to assure that it will be used to allow the students to meet the educational content standards, and (3) under the supervision of the Superior Court, Chancery Division, to determine a plan to provide supplemental educational and facilities programs in the special needs districts.

Provisions for the additional amounts of money were appropriated in previous State budgets. The Court has ruled that the Commissioner and the State Department of Education will be responsible for maintaining the educational system in accordance with the orders of the Court.

In response to the Court's order and in an attempt to remedy inadequacies that exist in the safety, the quality and the utility of state-wide school facilities, the New Jersey Legislature enacted the Educational Facilities Construction and Financing Act, 2000 N.J. Laws c.72 ("EFCFA"), which became law on July 18, 2000. EFCFA provides certain levels of funding for facilities' improvements for both special needs and non-special needs districts. Under EFCFA, special needs districts will receive State funding of 100% of the eligible costs of a school facilities project. The State will provide non-special needs districts with facilities aid in the amount of the greater of: (i) 115% of aid pursuant to CEIFA or, (ii) 40%, of the eligible costs of a school facilities project. A non-special needs district must elect to receive its level of facilities aid in either the form of a grant or ongoing annual debt service aid, however, at the current time no grant funds are available so all school district facilities aid is in the form of annual debt service aid. Debt service aid is funded by State appropriation and there is no legal requirement that the State must fund for 100% of its debt service aid obligation. However, the State has not, since 1999, failed to fund 100% of its debt service aid obligation. The School District is not a special needs district.

On December 28, 2000, a complaint was filed in the Superior court of New Jersey challenging the constitutionality of the EFCFA and requesting, among other things, injunctive relief restraining the State and the New Jersey Economic Development Authority (the "EDA") from proceeding with the issuance of



bonds to fund the State's financial obligations under the EFCFA. The complaint alleged that the voters of the State, under the Debt Limitation Clause of the State constitution, have and were deprived of the right to approve the issuance of the debt proposed to be issued under the EFCFA to fund the State's financial obligations.

On January 29, 2001 the Superior Court of New Jersey dismissed the case as a matter of law. On June 27, 2001, the Appellate Division affirmed the decision of the Superior Court by a vote of 2-1; because the vote was not unanimous, the plaintiff had a automatic right of appeal to the State Supreme Court. On January 2, 2002, the State Supreme Court heard the appeal and on August 21, 2002 the Court held that the EFCFA and its provisions authorizing the EDA's issuance of bonds do not violate the Debt Limitation Clause of the State constitution.

On January 13, 2008, Governor Jon Corzine signed into law the School Funding Reform Act of 2008 (the "School Reform Act") which provides how public schools are funded by the State, beginning in the 2008-09 fiscal year. The School Reform Act increased State aid for education by approximately \$532 million in the first year and guaranteed a minimum two percent increase for every school district. The School Reform Act differs from CEIFA in that it blurs the distinction between Abbott and non-Abbott districts. It also requires school districts to provide a local "fair share" contribution of property taxes to support schools and establishes an "adequacy budget" for each district. The adequacy budget is based on the expenditure needed to provide a "through and efficient" education, as well as enrollments and certain other factors, such as the number of special education and at-risk students. In addition, the School Reform Act requires certain districts to direct part of their State aid to property tax reduction if such district is spending above their adequacy budget and has school tax levies above their fair share contribution, as determined by the formula provided in the Act.

#### Impact of Reduction in State Aid

The State provides aid to school districts in accordance with amounts provided annually in the State budget. Such aid includes equalization aid, special education categorical aid, transportation aid, preschool education aid, choice aid, education adequacy aid, security aid, adjustment aid and other aid as determined in the discretion of the Commissioner. As a result of the State's current budget concerns, the State made cuts in State aid to the Board's 2010-2011 school budget in the amount of \$1,510,940.

For the 2011-2012 fiscal year, the State has announced increasing State aid to every school district in the State. For the Board's 2011-2012 school budget, State aid to the School District is anticipated to increase by \$302,551.

The State has reduced debt service aid by fifteen percent (15%) for the 2010-2011 fiscal year. As a result of the debt service aid reduction, for the 2010-2011 fiscal year, school districts will be receiving eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA") will be assessed an amount in their 2010-2011 budget representing 15% of the school district's proportionate share of the fiscal 2011 principal and interest payments on the outstanding EDA bonds issued to fund such grants.

### **SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS**

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20

U.S.C.A. § 6301 et seq., is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Federal aid is generally received in the form of block grants.

## **SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT**

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

### Budgets and Appropriations (N.J.S.A. 18A:22-1 et seq. as amended by N.J.S.A. 18A:7A-1 et seq.)

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

### Limitation on Increases in the Budget (the "Cap")

Annual increases in a school district's budget are limited by law, subject to certain limited exceptions. Appropriations for the payment of debt service on bonds and notes are not subject to limitation and must be included in full in a school district's budget.

### Uniform System of Bookkeeping (N.J.S.A. 18A:4-14)

Effective July 1, 1993, the State of New Jersey mandated that all school districts develop and implement accounting principles consistent with generally accepted accounting principles ("GAAP"). In addition, the districts are required to comply with the Uniform Minimum Chart of Accounts (Federal Handbook 2R2) for their internal accounting reporting systems. The School District's financial statements since the above effective date have been prepared in accordance with GAAP requirements.

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

Every board of education is required to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant who is either a certified public accountant or registered municipal accountant of New Jersey, or both, within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days of its completion.

#### Issuance of Debt (N.J.S.A. 18A:24-1 et seq.)

Type I and Type II districts are authorized to issue bonds pursuant to the provisions of Chapter 24 of Title 18A. Among the provisions are requirements that (i) bonds must mature in annual installments within the statutory usefulness of the projects being financed but not exceeding forty years, (ii) debt must be authorized by a resolution of the board of education and approved by the legally-qualified voters of the school district at a school election or by the board of school estimate for certain Type II school districts or by the board of education and the board of school estimate and by ordinance of the municipal governing body of a Type I district, and (iii) there must be filed with the Director of the Division of Local Government Services in the state's Department of Community Affairs a supplemental debt statement by each municipality comprising a school district setting forth the amount of bonds and notes authorized. Generally, no additional debt may be authorized if the principal amount, when added to the net school debt previously authorized, exceeds a statutorily-prescribed percentage of the average equalized valuation of taxable property in a school district. A school district other than a regional district may also utilize its constituent municipality's remaining statutory borrowing power (that is, the excess of 4% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The school district also may authorize debt in excess of this limit and its own independent borrowing margin with the consent of the Commissioner and the Local Finance Board, a state regulatory body. The Board will not exceed its debt limit from the issuance of the Bonds and does not need to utilize any of the constituent municipalities' borrowing margins.

Borrowings on behalf of county vocational school districts and county special services school districts are done upon action by the board of education and the board of school estimate of such districts and adoption by a bond ordinance by the county board of chosen freeholders, notwithstanding any debt limitation or requirement for down payment of the county.

Temporary notes may be issued in anticipation of the issuance of permanent bonds in accordance with the provisions of law. A district's temporary notes may be issued for one-year periods with the final maturity not exceeding five years from the date of original issuance, provided, however, that such notes shall not 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 such notes were issued is paid and retired in each year subsequent to such third anniversary date from funds other than the proceeds of obligations.

### **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

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

The Local Bond Law generally governs the issuance of bonds 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, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds issued by the Constituent Municipalities are general full faith and credit obligations.

## Debt Limits

The authorized bonded indebtedness of the Constituent Municipalities is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As indicated in APPENDIX "A", the Constituent Municipalities have not exceeded their respective statutory debt limits.

## Exceptions to Debt Limits - Extensions of Credit

The Constituent Municipalities may exceed their 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 their debt limit, the Constituent Municipalities may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Constituent Municipality or substantially reduce the ability of the Constituent Municipality to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Constituent Municipalities, without approval of the Local Finance Board, 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).

## Short Term Financing

The Constituent Municipalities may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit 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.

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 an anticipated revenue in the budget in an amount 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 December 31 of that 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 a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes which may be amortized over five years. Of course, 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 major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is

established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

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 2.4% or less.

Additionally, new legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Board to levy ad valorem taxes upon all taxable property within the boundaries of the School District to pay debt service on bonds and 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 Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Constituent Municipalities must mail

to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the 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.

#### The 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 units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for each local unit is on file with the Clerk and is available for review during business hours.

#### School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Constituent Municipalities. If such debt is in excess of the School District's debt limit and the remaining borrowing capacity of the Constituent Municipalities, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

### **LITIGATION**

To the knowledge of the attorney for the Board, Thomas P. Gannon, Esq., Toms River, NJ, except as set forth in the paragraph below, 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 title of any of the present officers. Moreover, to the knowledge of the attorney for the Board, except as set forth in the paragraph below, no litigation is presently pending or threatened that, in the opinion of the attorney for the Board, 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 attorney for the Board and delivered to the Underwriters of the Bonds at the closing.

Arthur Stein, Esquire, Forked River, New Jersey, acting as Special Counsel to the School District, is currently representing the School District in a lawsuit filed by the Borough of Seaside Park (one of the School District's Constituent Municipalities), the Seaside Park Board of Education ("Seaside Park BOE") and 13 individual residents ("Individual Residents") of Seaside Park requesting the Court to allow Seaside Park to withdraw from or dissolve or change the regional funding formula, alleging it is unfair to

Seaside Park taxpayers. This case has been proceeding, in one form or another, since 2004. In 2007, a referendum question was posed to all the voters of the School District as to whether the School District should be dissolved, and was overwhelmingly defeated. A referendum question as to whether the funding formula for the School District should be changed was held in 2009 and was also overwhelmingly defeated. Since then, the Borough Council of Seaside Park has disregarded these public votes and continues to seek dissolution of, withdrawal from or a change in the funding formula through the New Jersey Court system. The case was dismissed with prejudice by the Superior Court of New Jersey, Chancery Division, Ocean County, on August 31, 2010. The Borough Council of Seaside Park, Seaside Park BOE, and the Individual Residents have filed an appeal to the Superior Court Appellate Division where it is pending. Should the Superior Court Appellate Division overturn the Trial Court decision dismissing the lawsuit, it would place a significant financial burden on the taxpayers of the other four Constituent Municipalities of the School District. If the Superior Court were to overturn the Trial Court decision this would have significant repercussions for school funding throughout the State of New Jersey as a whole. The School District has vigorously defended this litigation.

## **TAX MATTERS**

### **Federal Taxation**

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Bonds and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Bonds, interest received by a holder of the Bonds will be excludable from gross income for federal income tax purposes, and will not be treated as a tax preference item under Section 57 of the Code for individuals or corporations. For corporate holders, interest on the Bonds will be taken into account in the calculation of such holders' alternative minimum tax liability.

The Code contains a number of provisions that apply to the Bonds, including restrictions relating to the use or investment of the proceeds of the Bonds (or facilities financed by such proceeds) and the payment of certain arbitrage earnings in excess of the "yield" on the Bonds to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Bonds not being excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with these requirements.

Section 55 of the Code provides that an alternative minimum tax is imposed on corporations. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of 75% of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", such interest may be subject to an alternative minimum tax.

Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred to purchase or carry tax-exempt obligations. An exception is provided certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for obligations the proceeds of which refund obligations which were designated as qualified tax-exempt obligations. Such obligations will be subject to a reduced disallowance rule. The Bonds will be designated by the Board as qualified tax exempt obligations under Section 265(b) of the Code.



Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

#### [Original Issue Premium

The Bonds maturing on July 15 in the years 20\_\_ through 20\_\_, inclusive (collectively, the "Premium Bonds") have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.]

#### [Original Issue Discount

The Bonds maturing on July 15 of the years 20\_\_ and 20\_\_, inclusive (collectively, the "Discount Bonds") have been sold to the public at an original issue discount. The original issue discount is the excess of the stated redemption price at maturity of such a Discount Bond over the initial offering price to the public (excluding underwriters' and other intermediaries) at which price a substantial amount of that maturity of the Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to a holder of a Discount Bond, who acquires the Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the holder's adjusted basis (as increased by the amount of original issue discount that has accrued and is treated as tax-exempt interest in such holder's hands), will be treated as gain from the sale or exchange of such Discount Bond and not as interest.]

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Bonds should consult their own tax advisors with respect to the consequences of owning Bonds, including the effect of such ownership under applicable state and local laws.

In addition, prospective purchasers of the Bonds should be aware that the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). TIPRA amended Section 6049 of the Code to provide that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The provision is effective for interest paid on tax-exempt obligations after December 31, 2005, regardless of when the tax exempt obligations were issued. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. The reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Bonds issued prior to enactment. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

**ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATION OF THE TAX CONSEQUENCES UNDER THE CODE.**

#### State Taxation

Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Bonds and net gains from the sale of the Bonds are not included as gross income under the New Jersey Gross Income Tax Act. Potential purchasers of the Bonds should consult with their tax advisors in order to understand the tax consequences of ownership of the Bonds under the laws of other states.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS.

#### **RATINGS**

Moody's Investors Service, Inc. (the "Rating Agency") has assigned its rating of "\_\_\_" to the Bonds based upon the additional security provided by the School Bond Reserve Act. In addition, the Rating Agency has assigned its rating of "\_\_\_" to the Bonds based upon the underlying credit of the School District.

The ratings reflect only the view of the Rating Agency and an explanation of the significance of such ratings may only be obtained from the Rating Agency at the following address: 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward

change in, or withdrawal of such ratings, may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased from the Board at a public sale by \_\_\_\_\_ (the "Underwriter"). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields or prices set forth on the front cover page of this Official Statement.

## **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 institutional, 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 bonds of the Board, including the Bonds, and such Bonds are authorized security for any and all public deposits.

## **FINANCIAL STATEMENTS**

Appendix "B" to this Official Statement contains excerpts of audited financial statements of the School District for the fiscal year ended June 30, 2010. A copy of the audit prepared by William E. Antonides and Company, Wall, New Jersey and containing the financial statements and complete Reports of Audit may be obtained, upon request, to the office of the Business Administrator/Board Secretary.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Board should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994 and other bankruptcy laws affecting creditor's rights and local political subdivisions in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy 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 priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a municipality or school district has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX 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 Act. This reference to the Bankruptcy Act or the State statute should not create any implication that the Board expects to utilize the benefits of this section.

### **FINANCIAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey served as financial advisor to the Board (the "Financial Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Financial Advisor. Certain information set forth herein has been obtained from the Board and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Financial Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

### **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 GluckWalrath LLP, Trenton, New Jersey, 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 Counsel, Thomas P. Gannon, Esq., Toms River, New Jersey.

### **CONTINUING DISCLOSURE**

Pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the Board will deliver concurrently with the delivery of the Bonds a Continuing Disclosure Certificate in substantially the form annexed hereto as APPENDIX D (the "Continuing Disclosure Certificate"). The Board has covenanted for the benefit of the Bondholders, in accordance with the provisions of the Continuing Disclosure Certificate, to provide or cause to be provided, in accordance with the requirements of the Rule, certain financial information and operating data relating to the Board by no later than nine (9) months after the end of each fiscal year (the "Annual Report"), and to provide notices of occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board through the EMMA dataport ("MSRB") in electronic format, as prescribed, by the MSRB and to the appropriate State Depository, if any (as defined in the Continuing Disclosure Certificate). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate."

The Board has entered into a number of continuing disclosure undertakings in connection with bonds issued by the Board. The Board is in compliance with its previous undertakings with regard to continuing disclosure for prior obligations issued.

## **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 to the purchasers of the Bonds, by certificates signed by the School Business Administrator/Board Secretary, that to his knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Phoenix Advisors, LLC compiled this Official Statement from information obtained from the School District and other various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness or fairness of the information contained herein and, accordingly, will express no opinion with respect thereto.

William E. Antonides and Company only takes responsibility for the financial statements, appearing in Appendix "B" hereto, to the extent specified in the Independent Auditor's Report.

Bond Counsel has not 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.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Kevin O'Shea, School Business Administrator/Board Secretary at (732) 269-1100 or by contacting the Board's Financial Advisor, Phoenix Advisors, LLC at (609) 291-0130.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers of 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 the Official Statement is not guaranteed as to accuracy or completeness.

**BOARD OF EDUCATION OF THE CENTRAL REGIONAL  
SCHOOL DISTRICT IN THE COUNTY OF OCEAN,  
NEW JERSEY**

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**Kevin O'Shea**  
**School Business Administrator/Board Secretary**

March \_\_, 2011

## **APPENDIX A**

**CERTAIN DEMOGRAPHIC INFORMATION CONCERNING THE CENTRAL  
REGIONAL SCHOOL DISTRICT, THE TOWNSHIP OF BERKELEY, THE BOROUGH  
OF ISLAND HEIGHTS, THE BOROUGH OF OCEAN GATE, THE BOROUGH OF  
SEASIDE HEIGHTS AND THE BOROUGH OF SEASIDE PARK**

## **GENERAL INFORMATION REGARDING CENTRAL REGIONAL SCHOOL DISTRICT**

### **Type**

The School District is a Type II regional school district, without a board of school estimate. The Superintendent of Schools (the "Superintendent") appointed by and responsible to the Board, is the executive in charge of the instruction program and school personnel. The School Business Administrator/Board Secretary also appointed by and responsible to the Board, is the chief fiscal officer and is additionally responsible for operation of the physical plant. Upon the recommendation of the Superintendent, the Board determines educational policy, makes all contracts for the purchase of educational and other services, materials and supplies, employs all instructional and other school system personnel and builds, maintains and operates the properties of the school district.

### **Description of Instructional Program and Facilities**

The School District is a regional school district serving the Township of Berkeley, the Borough of Island Heights, the Borough of Ocean Gate, the Borough of Seaside Heights, and the Borough of Seaside Park. The School District currently provides education for grades 7 through 12. The Central Regional Middle School houses grades 7 and 8. The Central Regional High School houses grades 9-12.

### **Staff**

The Superintendent is the chief executive officer of the Board in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education. State law requires a Treasurer of School monies to hold in trust all school monies and to make a monthly report to the Board. There are approximately 318 full-time and 1 part-time employees of the School District, of which 161 are teaching professionals.

### **Description of Facilities**

The Board presently operates the following school facilities:

<b><u>Facility</u></b>	<b><u>Square Feet</u></b>	<b><u>Grade Level</u></b>	<b><u>Capacity</u></b>
Middle School	141,748	7-8	812
High School	272,420	9-12	1,465

Source: School District

## **Central Regional School District**

### **Pupil Enrollments**

The following table presents the historical average daily pupil enrollments for the past five (5) school years and projections of pupil enrollment.

<b>Pupil Enrollments</b>	
<b><u>School Year</u></b>	<b><u>Enrollment</u></b>
2009-2010	2,049
2008-2009	2,154
2007-2008	2,187
2006-2007	2,175
2005-2006	2,218

<b>Projected Future Enrollments</b>	
<b><u>School Year</u></b>	<b><u>Enrollment</u></b>
2011-2012	2,040
2012-2013	2,060
2013-2014	2,080
2014-2015	2,100
2015-2016	2,120

Source: 2010 Comprehensive Annual Financial Report of the School District and the School District.

### **Labor Relations**

The Board's contract with Central Regional School District Education Association, which represents the teaching and support staff expires on June 30, 2012. The Board currently has a contract with Central Regional School District Administrator's Association, which represents the Principals, Vice Principals, Directors and Supervisors and the contract expires on June 30, 2012.

### **Pensions**

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two state administered multi-employer pension systems. The pension systems were established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the system. The two State administered pension funds are the Teacher's Pension and Annuity Fund and Public employee's Retirement System. The Division charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the state contributes the employer's share of the annual Social Security and Pension contribution for employees' enrolled in the Teacher's Pension and Annuity Fund. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the



## **Central Regional School District**

employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

### **Fiscal 2010-11 Budget**

The Board must submit its budget for voter approval. Annual increases in its net budget are limited by the Comprehensive Educational Improvement and Financing Act of 1996. The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2010-2011 fiscal year is \$30,286,556. The major sources of revenue are \$26,673,913 from the local tax levy and \$2,558,702 from state aid.

### **Budget History**

As noted, the Board must submit its budget for voter approval. The results of the last five budget elections of the Board are as follows:

<b><u>Budget Year</u></b>	<b><u>Anticipated Local Tax Levy</u></b>	<b><u>Total Operating Budget</u></b>	<b><u>Election Result</u></b>
2010-2011	\$26,673,913	\$30,456,839	Failed
2009-2010	25,505,898	30,405,109	Failed
2008-2009	25,646,028	33,483,909	Failed
2007-2008	24,854,627	32,437,492	Failed
2006-2007	24,177,212	31,707,210	Failed

Source: School District

### **Financial Operations**

The following table summarizes information on the changes in governmental funds revenues and expenditures for the school years ending June 30, 2009 and June 30, 2010 for the general, special revenue, capital projects and debt service funds. This summary should be used in conjunction with the tables from which it is derived (see Appendix B). Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

**Central Regional School District**

**GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES FOR THE YEARS ENDED JUNE 30:**

	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>REVENUES</b>		
Local Sources:		
Local Tax Levy	\$26,478,637	\$25,646,028
Tuition Charges	106,081	277,416
Miscellaneous	<u>573,408</u>	<u>241,549</u>
Total revenues-local sources	27,158,126	26,464,993
State Sources	5,309,017	5,918,561
Federal Sources	<u>1,313,034</u>	<u>708,464</u>
Total Revenues	\$33,780,177	\$33,092,018
<b>EXPENDITURES</b>		
General Fund, Special Revenue and Capital Projects Funds:		
Instruction	\$ 17,984,710	\$17,065,579
Undistributed Expenditures	15,802,124	15,045,844
Capital Outlay	529,020	1,589,372
Special Schools	10,812	-0-
Debt Service Fund	<u>1,129,235</u>	<u>1,106,388</u>
Total Expenditures	\$35,455,901	\$34,807,184
Excess (Deficiency) of Revenues Over/(Under) Expenditures		
 Fund Balance, July 1	 <u>2,607,230.92</u>	 <u>4,592,396.62</u>
Fund Balance, June 30	<u>\$1,119,713.70</u>	<u>\$2,607,230.92</u>

Source: Comprehensive Annual Financial Report of the School District.

**Capital Leases**

As of June 30, 2010, the Board has capital leases outstanding totaling \$188,206, with payments due through year ending June 30, 2015.

**Short Term Debt**

As of December 31, 2010, the School District has no short term debt outstanding.

**Central Regional School District**

**Long Term Debt**

The following table outlines the outstanding long term debt of the Board as of June 30, 2010.

<b><u>Fiscal Year Ending</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	\$0	\$100,712	\$100,712
2012	955,000	181,934	1,136,934
2013	995,000	145,031	1,140,031
2014	1,045,000	109,331	1,154,331
2015	1,075,000	64,169	1,139,169
<u>2016</u>	<u>1,105,000</u>	<u>18,647</u>	<u>1,123,647</u>
<b>TOTALS</b>	<b><u>\$5,175,000</u></b>	<b><u>\$619,824</u></b>	<b><u>\$5,794,824</u></b>

**Debt Limit of the Board**

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years. (See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations"). The following is a summation of the Board's debt limitations as of December 31, 2010:

Average Equalized Real Property Valuation (2008, 2009, and 2010)	\$9,019,375,930
<b>School District Debt Analysis</b>	
Permitted Debt Limitation (4% of AEVP)	360,775,037
Less: Bonds and Notes Authorized and Outstanding	<u>5,175,000</u>
Remaining Limitation of Indebteness	\$355,600,037
Percentage of Net School Debt to Average Equalized Valuation	0.057%

Source: Comprehensive Annual Financial Report of the School District.

## **INFORMATION REGARDING THE TOWNSHIP OF BERKELEY<sup>1</sup>**

The following material presents certain economic and demographic information of the Township of Berkeley (the "Township").

### **General Information**

The Township was incorporated in 1875 and consists of an area approximately 41.9 square miles. The Township is located in the central part of the County along the Atlantic Ocean and Barnegat Bay, which bay is part of the inland waterway running along the eastern seaboard of the continental United States. Approximately 72% of the Township's land area is the federally designated Pinelands National Reserve and approximately 38% of the Pinelands National Reserve is within the State's Pinelands Reserve Area.

The Township is primarily a residential community offering the wide beaches of Island Beach State Park on the Atlantic Ocean and the vast expanses of the Barnegat Bay and the Toms River for sailing and water sports. The Township is located south of the New York-northern New Jersey metropolitan area and to the east of the Greater Philadelphia metropolitan area, each respectively being approximately 68 miles and 60 miles from the Township.

The Township is located along or near major transportation corridors to the south of the New York-northern New Jersey metropolitan area and to the east of the Greater Philadelphia metropolitan area. The principal north to south routes in the Township are the Garden State Parkway with three (3) access and egress ramps in or near the Township and State Highway Route 9. The Garden State Parkway proceeds north to the New York-northern New Jersey metropolitan area and south to Atlantic City and Cape May. State Highway Route 37 runs westerly from the barrier island to State Highway Route 70, the principal State artery leading to the Greater Philadelphia metropolitan area. The Township is located south of Interstate 195 and north of the Atlantic City Expressway. Interstate 195 proceeds westerly to Interstate 95 which is a major beltway serving the eastern seaboard of the United States. The Atlantic City Expressway connects Atlantic City with the Greater Philadelphia metropolitan area.

### **Environmental and Growth Information**

A portion of the Township is subject to the Pinelands Protection Act, the purpose of which is to limit the impact of development on the Pinelands ecosystem, which contains a vast reservoir of potable water. The Pinelands Protection Act defines the Pinelands Area in the Township to include all lands in the Township west of the Garden State Parkway (the "Pinelands Area"). The Pinelands Protection Act further delineates a portion of the Pinelands Area into a Preservation Area, which portion contains the lands west of the Garden State Parkway and within the Cedar Creek Drainage Basin. The remaining lands within the Pinelands Area have been designated a Protection Area. A larger portion of the Township lies within the federally designated Pinelands National Reserve. Said land includes all areas east and west of the Garden State Parkway, specifically all lands south of State Highway Route 37 extending out to the barrier island known as Island Beach State Park. These lands fall within the oversight of the

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<sup>1</sup> Source: Audit of the Township (unless otherwise indicated).

## **Township of Berkeley**

Pinelands Commission (the “Pinelands Commission”). Presently, all proposed development plans in the Pinelands Area are reviewed by the Pinelands Commission. The Pinelands Commission retains development oversight responsibility and authority over the Pinelands Area.

Population in the Township is projected at 46,870 by the year 2010 by the Ocean County Planning Board. This projection directly depends upon the Pinelands Commission's continued agreement to define housing needs in the western portion of the Township as previously accepted by the Pinelands Commission, the County, and the Township.

### **Form of Government**

Under the Optional Municipal Charter Law, N.J.S.A. 40:69A-1 et seq., as amended and supplemented, the Township is governed by the Mayor-Council Plan form of government. Under this plan, the Mayor is elected to a four (4) year term and a Township Council consists of seven (7) members each elected to terms of four (4) years on a staggered basis.

### **Public Safety**

The Township’s public safety needs are satisfied by the Township’s Division of Police, which is headquartered at the Samuel R. Britton Law Enforcement Center. The Division of Police consists of one (1) chief, three (3) captains, four (4) lieutenants, eleven (11) sergeants, forty-six (46) uniformed police officers, six (6) detectives, fourteen (14) crossing guards, ten (10) dispatchers and ten (10) support staff. The Division of Police is also responsible for three (3) animal control officers.

### **Volunteer Emergency Groups**

The Township is serviced by three (3) volunteer fire companies. These fire companies are known as Fire Company Number 1 – Bayville Volunteer Fire Company, Fire Company Number 2 – Pinewald Pioneer Volunteer Fire Company and Fire Company Number 3 – Manitou Park Volunteer Fire Company. The Township is also serviced by six (6) volunteer rescue squads. These rescue squads are known as Holiday Heights First Aid Station, Holiday City Berkeley First Aid Squad, Bayville First Aid Squad, Silver Ridge Park First Aid Squad, Inc., South Toms River First Aid Squad, Inc. and Tri-Boro First Aid Squad.

### **Division of Public Works**

The Division of Public Works has two (2) supervisors, one (1) Public Works manager, one (1) assistant supervisor and sixty-eight (68) full-time employees. The Division is responsible for the maintenance and repair of all Township roads and facilities.

### **Division of Parks and Beaches**

The Division of Parks and Beaches has one (1) supervisor and thirteen (13) employees responsible for the maintenance and repair of all parks and beaches.

## **Township of Berkeley**

### **Retirement Systems**

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

### **Public Employees' Retirement System**

The Public Employees' Retirement System ("PERS") includes approximately 206 permanent Township employees. PERS is evaluated every year. Employee rates for contribution are normally determined by the rate applicable at the age of enrollment.

### **Police and Firemen's Retirement System**

Approximately sixty-nine (69) Township employees are covered under the Police and Firemen's Retirement System ("PFRS").

### **Pension Information**

Employees, who are eligible to participate in a pension plan, are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Townships share of pension costs, which is based upon the annual billings, received from the State, amounted to \$334,559 for PERS and \$859,198 for PFRS for the year ended December 31, 2009.

### **Employment and Unemployment Comparisons**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township of Berkeley</u></b>				
2010	13,296	11,411	1,885	14.2%
2009	13,356	11,483	1,873	14.0
2008	13,045	11,901	1,144	8.8
2007	12,805	11,934	871	6.8
2006	12,638	11,887	751	5.9

## **Township of Berkeley**

### **County of Ocean**

2010	263,270	236,690	26,580	10.1%
2009	263,076	237,440	25,636	9.7
2008	261,667	246,089	15,578	6.0
2007	257,421	245,690	11,731	4.6
2006	256,392	243,747	12,645	4.9

### **State of New Jersey**

2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.3
2008	4,496,700	4,251,200	245,500	5.5
2007	4,462,300	4,271,700	190,600	4.3
2006	4,492,800	4,283,600	209,200	4.7

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.

### **Money Income**

	<u><b>Berkeley Township</b></u>		<u><b>Ocean County</b></u>		<u><b>State Of New Jersey</b></u>	
	<u><b>1999</b></u>	<u><b>2005-2009*</b></u>	<u><b>1999</b></u>	<u><b>2005-2009*</b></u>	<u><b>1999</b></u>	<u><b>2005-2009*</b></u>
Median Household Income	\$32,134	\$42,185	\$46,443	\$59,939	\$55,146	\$68,981
Median Family Income	40,208	56,756	56,420	73,834	65,370	83,957
Per Capita Income	22,198	28,414	23,054	29,992	27,006	34,566

\*Estimate

Source: US Bureau of the Census, \*Estimate

### **Population**

The following tables summarize population increases and the decreases for the Township, the County, and the State.

<u><b>Year</b></u>	<u><b>Berkeley Township</b></u>		<u><b>Ocean County</b></u>		<u><b>State of New Jersey</b></u>	
	<u><b>Population</b></u>	<u><b>Percent Change</b></u>	<u><b>Population</b></u>	<u><b>Percent Change</b></u>	<u><b>Population</b></u>	<u><b>Percent Change</b></u>
2009*	42,975	7.5%	573,678	2.3%	8,707,739	3.49%
2000	39,991	7.2	510,916	17.9	8,414,350	8.85
1990	37,319	61.2	433,203	25.2	7,730,188	4.96
1980	23,151	--	346,038	--	7,365,001	2.70

\*Estimate

Source: United States Department of Commerce, Bureau of the Census,

**Township of Berkeley**

**Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2009 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
1. Hovchild Partnership LLC	\$39,686,700	0.77%
2. RK Creek LLC	28,289,800	0.55
3. Baywick Plaza LLC	23,404,000	0.45
4. Quaker Malls LP	17,721,200	0.34
5. Arlington Beach Co.	16,631,000	0.32
6. Berkeley Healthcare	13,500,000	0.26
7. NJ Pulverizing Co.	13,500,000	0.26
8. Lakeside Blvd Realty	11,451,900	0.22
9. Millers Camp	10,269,900	0.20
10. Beachwood Mall	<u>9,489,500</u>	<u>0.18</u>
<b>Total</b>	<b><u>\$183,944,000</u></b>	<b><u>3.55%</u></b>

Source: Tax Assessor of the Township

**Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year Percentage of Collection</u></b>
2009	\$90,845,577	\$88,725,383	97.66%
2008	88,097,099	86,427,505	98.10
2007	83,291,421	81,912,967	98.34
2006	78,363,792	76,983,206	98.23
2005	74,193,873	72,999,611	98.39

**Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2009	\$174,411	\$1,948,732	\$2,123,143	2.34%
2008	129,212	1,602,034	1,731,246	1.96
2007	118,066	1,343,373	1,461,439	1.75
2006	111,079	1,339,224	1,450,303	1.85
2005	133,856	1,128,781	1,262,637	1.70



**Township of Berkeley**

**Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2009	\$6,340,914
2008	6,340,914
2007	6,340,914
2006	6,599,776
2005	6,512,723

**Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for the past five (5) years.

<b><u>Year</u></b>	<b><u>Local Purpose</u></b>	<b><u>Local Open Space</u></b>	<b><u>County</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>Total Taxes</u></b>
2010	\$0.500	\$0.005	\$0.392	\$0.551	\$0.370	\$1.818
2009	0.959	0.010	0.735	0.975	0.667	3.346
2008	0.906	0.010	0.737	0.976	0.638	3.268
2007	0.832	0.010	0.697	0.928	0.650	3.116
2006	0.737	0.010	0.658	0.854	0.699	2.957

Source: Abstract of Ratables, State of New Jersey – Table of Equalized Valuations, and the School District

**Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Equalized Valuation</u></b>
2010R	\$5,172,590,600	87.80%	\$5,891,333,257	\$5,899,809,262
2009	2,698,751,690	43.56	6,195,481,382	6,199,056,054
2008	2,676,632,190	42.01	6,371,416,782	6,374,709,257
2007	2,653,505,990	41.81	6,346,582,133	6,350,044,809
2006	2,625,562,640	44.55	5,893,518,833	5,897,441,977

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

**Township of Berkeley**

**Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Township for past three (3) years.

<b><u>Classification</u></b>	<b><u>2010R</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Vacant Land	\$142,705,500	\$46,338,500	\$49,607,700
Residential	4,597,514,300	2,488,096,590	2,469,451,190
Farm (Regular and Qualified)	711,300	293,500	293,500
Commercial	344,374,200	128,273,700	122,003,200
Industrial	28,114,500	11,119,200	10,646,400
Apartments	<u>59,170,800</u>	<u>24,630,200</u>	<u>24,630,200</u>
<b>Total</b>	<b>\$5,172,590,600</b>	<b>\$2,698,751,690</b>	<b>\$2,676,632,190</b>

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classifications

**Township Indebtedness as of December 31, 2009**

General Purpose Debt	\$33,650,998	
School District Debt	23,762,791	
Self-Liquidating Debt	<u>-0-</u>	
<b>TOTAL GROSS DEBT</b>		<b>\$57,413,790</b>
Less: Statutory Deductions		
School District Debt	\$23,762,791	
Other Bonds and Notes	<u>1,240,395</u>	
Total:		<b><u>25,003,187</u></b>
<b>TOTAL NET DEBT</b>		<b><u>\$32,410,603</u></b>

Source: 2009 Annual Debt Statement of the Township

**Township of Berkeley**

**Overlapping Debt (as of December 31, 2010)**

<b><u>Name of Related Entity</u></b>	<b><u>Net Debt</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Berkeley Township Municipal Utilities Authority	\$11,896,734	100%	\$11,896,734
Ocean County <sup>1</sup>	427,048,645	5.85	24,982,346
Ocean County Utilities Authority <sup>2</sup>	262,487,866	5.65	<u>14,830,564</u>
Total Net Overlapping Debt			\$51,709,644
Net Direct Debt			<u>32,410,603</u>
Total Net Direct and Overlapping Debt			<b><u>\$84,120,247</u></b>

<sup>1</sup> Township share calculated based on the Township's percentage of total equalized valuation in the County.

<sup>2</sup> Township share calculated based on the Township's percentage of total system usage.

**Debt Limit**

Average Equalized Valuation Basis (2008, 2009, 2010)	\$6,157,858,191
Permitted Debt Limitation (3 ½ %)	215,525,037
Less: Net Debt of the Township	32,410,603
Remaining Borrowing Power	<u>\$183,114,434</u>
Percentage of Net Debt to Average Equalized Valuation	0.53%
Gross Debt Per Capita (based on 2000 population estimate of 39,991)	\$1,436
Net Debt Per Capita (based on 2000 population estimate of 39,991)	\$810

Source: Annual Debt Statements of the Township

## **INFORMATION REGARDING THE BOROUGH OF ISLAND HEIGHTS<sup>2</sup>**

The following material presents certain economic and demographic information of the Borough of Island Heights (the "Borough").

### **General Information**

The Borough of Island Heights (the "Borough") which was founded in 1878 and Incorporated in 1887, encompasses 0.60 of a square mile in central Ocean County. It is surrounded by water on three sides by Dillons Creek, Toms River, and Barnegat Bay. State Highway 37 adjoins the northern boundary of the Borough and provides transportation to Dover Township shopping areas, the Garden State Parkway, Route 70, and the ocean beaches.

### **Form of Government**

The governing body of the Borough consists of a Mayor and six (6) Council Members, all of whom are elected by the people of the community. Council members are elected for three-year terms and the Mayor is elected for a four-year term.

The government of the Borough operates under the Small Municipalities Plan A (original) of the Optional Municipal Charter Law, which provides for a small municipality form consisting of six members of council elected at large.

The Council meets the second and the fourth Tuesday of each month for regular public meetings. The regular meetings are open to the public in compliance with New Jersey's Sunshine Law. At the meetings citizens are given an opportunity to speak on proposed ordinances and resolutions prior to passage. There is also a time set aside on the agenda so that any citizen may address the Borough Council on matters of concern to him or her.

### **Transportation**

The Borough is served by New Jersey Transit from neighboring Dover Township. Airport passenger service is available at Atlantic City (40 miles), Philadelphia (90 miles), and Newark (90 miles). An airport at the Ocean County Air Park (8 miles) provides non-scheduled air taxi service to all metropolitan New York and Philadelphia airports.

The Garden State Parkway provides the Borough with a direct route North to the New York Metropolitan area and South to Atlantic City. State Highway 37 and 70 provides an Eastern route to Philadelphia.

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<sup>2</sup> Source: Audit of the Borough (unless otherwise indicated).

## **Borough of Island Heights**

### **Public Services**

The Borough is served by a well trained public safety police department.

The Borough Police Department is composed of 9 police officers, of which 4 are part-time. These officers are equipped with modern and scientific crime fighting equipment.

### **Health Care Facilities**

Health services for Island Heights are provided by Community Medical Center, a 600 bed hospital located in Toms River, New Jersey.

### **Volunteer First Aid Services**

The Island Heights First Aid Squad is a non-profit corporation, which provides ambulance and emergency services to residents of the Borough and adjoining areas. The First Aid Squad was formed on November 22, 1949. Currently the Squad has 11 active members and operates two fully equipped ambulances.

Funding for the First Aid Squad's operations is by solicitations from the public, as well as an annual grant from the Borough.

### **Volunteer Fire Department**

The Island Heights Volunteer Fire Co. was formed on February 14, 1965 and is a private common, non-profit corporation. In 2010, the Fire Company had 28 members.

Equipment includes three pumpers, a brush truck and miscellaneous equipment. In addition, a continuous training program keeps all fire fighting personnel abreast of the latest techniques.

The preceding public safety services are maintained on a twenty-four hour-a-day, 365 day-a-year basis call.

### **Utilities Services**

The Borough is served by its own self-liquidating water/sewer utility.

The utility operates and maintains the local sewerage collection system, which discharges into the Ocean County Utilities Authority's interceptor system for conveyance to regional treatment facilities.

To date, the operation of the utility has been entirely self-supporting and future operations are expected to continue without requiring ad valorem tax assistance from the Borough.

## **Borough of Island Heights**

### **Retirement Systems**

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

### **Pension Information**

Employees, who are eligible to participate in a pension plan, are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs, which is based upon the annual billings, received from the State, amounted to \$45,479 for PERS and \$34,223 for PFRS for the year ended December 31, 2009.

### **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough of Island Heights</u></b>				
2010	1,314	1,184	130	9.9%
2009	1,041	942	99	9.5
2008	1,037	977	60	5.8
2007	1,017	971	46	4.5
2006	1,005	957	48	4.8
<b><u>County of Ocean</u></b>				
2010	263,270	236,690	26,580	10.1%
2009	263,076	237,440	25,636	9.7
2008	261,667	246,089	15,578	6.0
2007	257,421	245,690	11,731	4.6
2006	256,392	243,747	12,645	4.9

**Borough of Island Heights**

**State of New Jersey**

2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.3
2008	4,496,700	4,251,200	245,500	5.5
2007	4,462,300	4,271,700	190,600	4.3
2006	4,492,800	4,283,600	209,200	4.7

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.

**Money Income**

	<b><u>Borough of Island Heights</u></b>		<b><u>Ocean County</u></b>		<b><u>State Of New Jersey</u></b>	
	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>
Median Household Income	\$61,125	\$81,900	\$46,443	\$59,939	\$55,146	\$68,981
Median Family Income	72,596	100,893	56,420	73,834	65,370	83,957
Per Capita Income	26,975	42,213	23,054	29,992	27,006	34,566

\*Estimate

Source: US Bureau of the Census

**Population**

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

	<b><u>Borough of Island Heights</u></b>		<b><u>Ocean County</u></b>		<b><u>State of New Jersey</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>
2009*	1,891	7.9%	573,678	2.3%	8,707,739	3.49%
2000	1,751	19.1	510,916	17.9	8,414,350	8.85
1990	1,470	-6.7	433,203	25.2	7,730,188	4.96
1980	1,575	--	346,038	--	7,365,001	2.70

\*Estimate

Source: United States Department of Commerce, Bureau of the Census

**Borough of Island Heights**

**Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2009 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
1. FLM Marine	\$4,850,000	1.39%
2. Nelson Property Partners	2,534,600	0.80
3. Conza Builders	2,378,600	0.69
4. Tavares, L	2,307,800	0.66
5. Percy A & E	1,888,400	0.54
6. Candor, Inc.	1,821,800	0.54
7. Martin, G	1,761,400	0.50
8. Hatami, V & J	1,716,500	0.49
9. Laforgia, S & G	1,687,000	0.48
10. Belcor Builders	<u>1,670,400</u>	<u>0.48</u>
<b>Total</b>	\$22,616,500	6.57%

Source: Tax Assessor of the Borough

**Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year Percentage of Collection</u></b>
2009	\$5,637,164	\$5,487,795	97.35%
2008	5,341,229	5,206,858	97.48
2007	5,099,419	5,004,656	98.14
2006	4,983,941	4,825,946	97.39
2005	4,703,656	4,559,895	96.94

**Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2009	\$259	\$134,070	\$134,329	2.38%
2008	253	133,025	133,278	2.50
2007	247	95,120	95,367	1.87
2006	241	119,115	119,356	2.39
2005	235	100,963	101,198	2.15



**Borough of Island Heights**

**Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2009	\$0
2008	0
2007	0
2006	0
2005	0

**Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for the past five (5) years.

<b><u>Year</u></b>	<b><u>Local Purpose</u></b>	<b><u>County</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>Total Taxes</u></b>
2010	\$0.445	\$0.409	\$0.478	\$0.301	\$1.633
2009	0.424	0.390	0.479	0.302	1.595
2008	0.409	0.370	0.474	0.265	1.518
2007	0.382	0.351	0.418	0.313	1.464
2006	0.333	0.331	0.484	0.296	1.444

Source: Abstract of Ratables, State of New Jersey – Table of Equalized Valuations, and the School District

**Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Equalized Valuation</u></b>
2010	\$352,696,500	84.34%	\$418,184,136	\$418,373,706
2009	351,908,300	79.66	441,762,867	441,964,060
2008	349,135,500	79.28	440,382,820	440,568,001
2007	347,145,100	83.35	416,490,822	416,677,362
2006	342,070,700	88.53	198,353	386,587,938

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

**Borough of Island Heights**

**Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Borough for past three (3) years.

<b><u>Classification</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Vacant Land	\$13,762,500	\$14,791,600	\$15,209,600
Residential	315,343,500	313,526,200	310,714,800
Farm (Regular and Qualified)	-0-	-0-	-0-
Commercial	23,101,200	23,101,200	22,721,800
Industrial	-0-	-0-	-0-
Apartments	<u>489,300</u>	<u>489,300</u>	<u>489,300</u>
<b>Total</b>	<b>\$352,696,500</b>	<b>\$351,908,300</b>	<b>\$349,135,500</b>

Source: Abstract of Ratables and State of New Jersey – Property Value Classifications

**Borough Indebtedness as of December 31, 2009**

General Purpose Debt	\$2,996,114	
School District Debt	1,100,670	
Self-Liquidating Debt	<u>1,353,371</u>	
<b>TOTAL GROSS DEBT</b>		<b>\$5,450,155</b>
Less: Statutory Deductions		
School District Debt	\$1,100,670	
Self-Liquidating Bonds and Notes	1,353,371	
Other Bonds and Notes	<u>70</u>	
Total:		<b><u>2,454,111</u></b>
<b>TOTAL NET DEBT</b>		<b><u>\$2,996,044</u></b>

Source: 2009 Annual Debt Statement of the Borough

**Borough of Island Heights**

**Overlapping Debt (as of December 31, 2010)**

<b><u>Name of Related Entity</u></b>	<b><u>Net Debt</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Ocean County <sup>1</sup>	\$427,048,645	0.42%	\$1,793,604
Ocean County Utilities Authority <sup>2</sup>	262,487,866	0.25	<u>656,220</u>
Total Net Overlapping Debt			2,449,824
Net Direct Debt			<u>2,996,044</u>
Total Net Direct and Overlapping Debt			<b><u>\$5,445,868</u></b>

<sup>1</sup> Borough share calculated based on the Borough's percentage of total equalized valuation in the County.

<sup>2</sup> Borough share calculated based on the Borough's percentage of total system usage.

**Debt Limit**

Average Equalized Valuation Basis (2008, 2009, 2010)	\$433,635,256
Permitted Debt Limitation (3 ½ %)	15,177,233
Less: Net Debt of the Borough	<u>2,996,044</u>
Remaining Borrowing Power	<u>\$12,181,189</u>
Percentage of Net Debt to Average Equalized Valuation	0.69%
Gross Debt Per Capita (based on 2000 population estimate of 1,751)	\$3,113
Net Debt Per Capita (based on 2000 population estimate of 1,751)	\$1,711

Source: Annual Debt Statements of the Borough

## **INFORMATION REGARDING THE BOROUGH OF OCEAN GATE<sup>3</sup>**

The following material presents certain economic and demographic information of the Borough of Ocean Gate (the "Borough").

### **General Information**

The Borough is a resort community located on the Toms River in the County of Ocean and, according to the 2000 Census, the population is 2,076. It functions under the Borough form of government wherein the Mayor is elected for a four-year term without limitation as to the number of terms he may serve. The Borough Council consists of six members, who are elected at-large, and serve three-year terms. Their terms are staggered so that two Council positions expire at the end of each year.

The Mayor is the head of the municipal government of the Borough and, as such, is responsible for administering local laws and for policy development. The specific powers of the Mayor include appointment of department heads (with advice and consent from the Borough Council), preparation of the Borough's budget, and approval or veto (which may be overridden by a 2/3 vote) of ordinances adopted by the Borough Council.

### **Police Protection**

The Borough's police department provides twenty-four hour police protection to the residents. The department's seven (7) man force is supplemented by special police officers providing maximum manpower coverage through the Borough at all times.

### **Fire Protection**

The Borough of Ocean Gate Volunteer Fire Department provides twenty-four hour fire protection for the Borough residents. It has twenty (20) members and provides continual protection for all the citizens of the Borough. The department is funded by the Borough.

### **First Aid Organization**

The Ocean Gate First Aid Squad consists of twenty (20) volunteer members who are on twenty-four hour call. The squad has its own building to house and service its two vehicles, which together with extracting equipment, allows the First Aid volunteers to respond to any possible emergency within the Borough. The squad is funded by voluntary contributions from area residents, businesses and governments.

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<sup>3</sup> Source: Audit of the Borough (unless otherwise indicated).

## **Borough of Ocean Gate**

### **Retirement Systems**

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

### **Pension Information**

Employees, who are eligible to participate in a pension plan, are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs, which is based upon the annual billings, received from the State, amounted to \$42,478 for PERS and \$44,561 for PFRS for the year ended December 31, 2009.

### **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough of Ocean Gate</u></b>				
2010	1,314	1,184	130	9.9%
2009	1,310	1,187	123	9.4
2008	1,305	1,230	76	5.8
2007	1,280	1,223	57	4.5
2006	1,265	1,205	60	4.8
<b><u>County of Ocean</u></b>				
2010	263,270	236,690	26,580	10.1%
2009	263,076	237,440	25,636	9.7
2008	261,667	246,089	15,578	6.0
2007	257,421	245,690	11,731	4.6
2006	256,392	243,747	12,645	4.9

**Borough of Ocean Gate**

**State of New Jersey**

2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.3
2008	4,496,700	4,251,200	245,500	5.5
2007	4,462,300	4,271,700	190,600	4.3
2006	4,492,800	4,283,600	209,200	4.7

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.

**Money Income**

	<b><u>Borough of Ocean Gate</u></b>		<b><u>Ocean County</u></b>		<b><u>State Of New Jersey</u></b>	
	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>
Median Household Income	\$41,067	\$64,028	\$46,443	\$59,939	\$55,146	\$68,981
Median Family Income	50,847	78,194	56,420	73,834	65,370	83,957
Per Capita Income	19,239	31,309	23,054	29,992	27,006	34,566

\*Estimate

Source: US Bureau of the Census

**Population**

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

	<b><u>Borough of Ocean Gate</u></b>		<b><u>Ocean County</u></b>		<b><u>State of New Jersey</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>
2009*	2,149	3.5%	573,678	2.3%	8,707,739	3.49%
2000	2,076	-0.1	510,916	17.9	8,414,350	8.85
1990	2,078	50.0	433,203	25.2	7,730,188	4.96
1980	1,385	--	346,038	--	7,365,001	2.70

\*Estimate

Source: United States Department of Commerce, Bureau of the Census

**Borough of Ocean Gate**

**Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2010 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
1. Nunn, R	\$1,701,700	0.49%
2. Love, M	855,700	0.25
3. Mozino, F & J	777,700	0.23
4. Patchett, T & S	731,200	0.21
5. Howard, C & E	715,000	0.21
6. Cannan, George	701,200	0.19
7. Mozino, F & J	675,000	0.19
8. Stromeyer, A & E	666,300	0.17
9. Finucan, J & J	661,100	0.17
10. King, Joseph	<u>643,500</u>	<u>0.16</u>
<b>Total</b>	<b><u>\$8,128,400</u></b>	<b><u>2.27%</u></b>

Source: Tax Assessor of the Borough

**Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year Percentage of Collection</u></b>
2009	\$4,957,462	\$4,734,309	95.50%
2008	4,966,640	4,777,576	96.19
2007	4,896,206	4,690,077	95.79
2006	4,504,668	4,326,912	96.05
2005	4,246,392	4,101,615	96.59

**Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2009	\$41,116	\$213,904	\$255,020	5.14%
2008	37,463	188,502	225,965	4.55
2007	34,315	200,138	234,453	4.79
2006	30,138	172,938	203,076	4.51
2005	26,758	146,558	173,316	4.08

**Borough of Ocean Gate**

**Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2009	\$0
2008	0
2007	0
2006	0
2005	0

**Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for the past five (5) years.

<b><u>Year</u></b>	<b><u>Local Purpose</u></b>	<b><u>County</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>Total Taxes</u></b>
2010	\$0.624	\$0.359	\$0.604	\$0.358	\$1.944
2009	0.614	0.339	0.406	0.328	1.888
2008	0.604	0.335	0.349	0.613	1.901
2007	0.581	0.334	0.712	0.256	1.883
2006	0.539	0.313	0.572	0.322	1.746

Source: Abstract of Ratables, State of New Jersey – Table of Equalized Valuations, and the School District

**Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Equalized Valuation</u></b>
2010	\$262,755,100	93.14%	\$282,107,687	\$282,303,959
2009	261,738,400	91.03	287,529,825	287,731,866
2008	260,342,100	91.13	285,682,102	285,862,534
2007	258,052,900	92.17	279,974,938	280,138,518
2006	256,650,000	92.99	275,997,419	276,167,051

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations



**Borough of Ocean Gate**

**Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Borough for past three (3) years.

<b><u>Classification</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Vacant Land	\$3,326,200	\$3,541,000	\$3,351,000
Residential	253,446,800	252,215,100	251,009,000
Farm (Regular and Qualified)	-0-	-0-	-0-
Commercial	4,683,100	4,683,100	4,683,100
Industrial	-0-	-0-	-0-
Apartments	<u>1,299,000</u>	<u>1,299,000</u>	<u>1,299,000</u>
<b>Total</b>	<b>\$262,755,100</b>	<b>\$261,738,400</b>	<b>\$260,342,100</b>

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

**Borough Indebtedness as of December 31, 2009**

General Purpose Debt	\$3,713,900	
School District Debt	1,594,268	
Self-Liquidating Debt	<u>1,654,453</u>	
<b>TOTAL GROSS DEBT</b>		<b>\$6,962,621</b>
Less: Statutory Deductions		
School District Debt	\$1,594,268	
Self-Liquidating Debt	1,654,453	
Other Bonds and Notes	<u>-0-</u>	
Total:		<b><u>3,248,721</u></b>
<b>TOTAL NET DEBT</b>		<b><u>\$3,713,900</u></b>

Source: 2009 Annual Debt Statement of the Borough

**Borough of Ocean Gate**

**Overlapping Debt (as of December 31, 2010)**

<b><u>Name of Related Entity</u></b>	<b><u>Net Debt</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Ocean County <sup>1</sup>	\$427,048,645	0.27%	\$1,153,031
Ocean County Utilities Authority <sup>2</sup>	262,487,866	0.38	<u>997,454</u>
Total Net Overlapping Debt			\$2,150,485
Net Direct Debt			<u>3,713,900</u>
Total Net Direct and Overlapping Debt			<b><u>\$5,864,385</u></b>

<sup>1</sup> Borough share calculated based on the Borough's percentage of total equalized valuation in the County.

<sup>2</sup> Borough share calculated based on the Borough's percentage of total system usage.

**Debt Limit**

Average Equalized Valuation Basis (2008, 2009, 2010)	\$285,299,453
Permitted Debt Limitation (3 ½ %)	9,985,481
Less: Net Debt of the Borough	<u>3,713,900</u>
Remaining Borrowing Power	<u>\$6,271,581</u>
Percentage of Net Debt to Average Equalized Valuation	1.30%
Gross Debt Per Capita (based on 2000 population estimate of 2,076)	\$3,354
Net Debt Per Capita (based on 2000 population estimate of 2,076)	\$1789

Source: Annual Debt Statements of the Borough

## **INFORMATION REGARDING THE BOROUGH OF SEASIDE HEIGHTS<sup>4</sup>**

The following material presents certain economic and demographic information of the Borough of Seaside Heights (the "Borough").

### **General Information**

The Borough of Seaside Heights is situated on the Atlantic Ocean in the central area of Ocean County, approximately sixty-seven miles south of New York City. The Borough was incorporated in 1913 and covers an area of 0.75 square miles.

Though the atmosphere of the Borough appears primarily residential, a considerable portion is zoned for resort recreation use with excellent access to the roads. Rail and bus service is available and airports in Newark, New Jersey and Philadelphia, Pennsylvania are approximately 60 minutes away. Seaside Heights is recognized throughout the tri-state area as a premier summer resort destination.

### **Local Government**

The Governing Body of the Borough consists of a mayor, and six (6) Borough Council Members, all of whom are elected by the people of the community. Council members are elected at large for staggered three-year terms and the mayor is elected for a four-year term.

The government of the Borough operates under the Borough form pursuant to N.J.S.A. 40A:60-1 et seq.

The Borough Council meets the first and third Wednesday of each month for regular meetings and caucus meetings are held prior to the meetings. Both caucus and regular meetings are open to the public in compliance with New Jersey's Sunshine Law. At regular meetings, citizens are given an opportunity to speak on proposed ordinances and resolutions. There is also a time set aside at both regular and caucus meetings so that any citizen may address the Borough Council on matters of concern to him or her.

### **Bus Service**

The Borough is served by the following transit companies:

Transport of New Jersey  
Ocean Bus Company

### **Public Highways**

New Jersey Highway Routes 35 and 37 provide direct access to the Garden State Parkway, which in turn provides quick and convenient movement to Newark, New York and Philadelphia.

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<sup>4</sup> Source: Audit of the Borough (unless otherwise indicated).

## **Borough of Seaside Heights**

### **Police Services**

Seaside Heights is served by a well-trained Public Safety Police Department.

The Borough Police Department is comprised of 22 police officers and 4 non-uniformed employees. An additional 45 Class One and Class Two officers are employed during the summer. These officers are equipped with modern and scientific crime-fighting equipment.

### **Volunteer First Aid Services**

Volunteer first aid and ambulance service to Borough residents as well as residents of Seaside Park and South Seaside Park is provided by the Tri-Boro First Aid Squad Ambulance Service on a 24-hour basis.

Funding for the first aid squads operations is by solicitations from the public, as well as an annual grant from the Borough.

### **Volunteer Fire Department Services**

The all-volunteer Fire Department maintains one fire-fighting company and one fire house within the Borough, on a round-the-clock schedule. The location of the fire house is such that a fire anywhere within the Borough can be quickly answered and serviced.

All fire-fighting apparatus and equipment is of the latest design. In addition, a continuous training program keeps all fire-fighting personnel abreast of the latest techniques.

The above public safety services are maintained on a twenty-four hour-a-day, 365 days a year basis. The Police Dispatchers handle calls for all public safety services.

### **Retirement Systems**

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

### **Pension Information**

Employees, who are eligible to participate in a pension plan, are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion

### **Borough of Seaside Heights**

of the cost. The Borough's share of pension costs, which is based upon the annual billings, received from the State, amounted to \$62,110.50 for PERS and \$224,111.00 for PFRS for the year ended December 31, 2009.

### **Employment and Unemployment Comparisons**

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

	<u><b>Total Labor Force</b></u>	<u><b>Employed Labor Force</b></u>	<u><b>Total Unemployed</b></u>	<u><b>Unemployment Rate</b></u>
<u><b>Borough of Seaside Heights</b></u>				
2010	1,932	1,672	260	13.5%
2009	1,922	1,675	247	12.8
2008	1,887	1,736	151	8.0
2007	1,841	1,727	114	6.2
2006	1,821	1,701	121	6.6
<u><b>County of Ocean</b></u>				
2010	263,270	236,690	26,580	10.1%
2009	263,076	237,440	25,636	9.7
2008	261,667	246,089	15,578	6.0
2007	257,421	245,690	11,731	4.6
2006	256,392	243,747	12,645	4.9
<u><b>State of New Jersey</b></u>				
2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.3
2008	4,496,700	4,251,200	245,500	5.5
2007	4,462,300	4,271,700	190,600	4.3
2006	4,492,800	4,283,600	209,200	4.7

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.

### **Money Income**

	<u><b>Borough of Seaside Heights</b></u>		<u><b>Ocean County</b></u>		<u><b>State Of New Jersey</b></u>	
	<u><b>1999</b></u>	<u><b>2005-2009*</b></u>	<u><b>1999</b></u>	<u><b>2005-2009*</b></u>	<u><b>1999</b></u>	<u><b>2005-2009*</b></u>
Median Household Income	\$25,963	\$64,028	\$46,443	\$59,939	\$55,146	\$68,981
Median Family Income	27,197	78,194	56,420	73,834	65,370	83,957
Per Capita Income	18,665	31,309	23,054	29,992	27,006	34,566

\*Estimate

Source: US Bureau of the Census

**Borough of Seaside Heights**

**Population**

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

<b><u>Borough of Seaside Heights</u></b>			<b><u>Ocean County</u></b>		<b><u>State of New Jersey</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>
2009*	3,355	6.3%	573,678	2.3%	8,707,739	3.49%
2000	3,155	33.3	510,916	17.9	8,414,350	8.85
1990	2,366	31.3	433,203	25.2	7,730,188	4.96
1980	1,802	--	346,038	--	7,365,001	2.70

\*Estimate

Source: United States Department of Commerce, Bureau of the Census,

**Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2009 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
1. AFMV, LLC	\$32,799,800	4.66%
2. Belle Freeman Properties	23,056,000	2.95
3. Peterson, Richard & Mary	7,744,000	1.28
4. Saddy Family	7,729,100	0.52
5. McGrath Family	7,644,200	0.45
6. CS Boulevard Properties	7,144,700	0.40
7. Improved Land Inc	6,695,300	0.31
8. Tilles, Samuel, Inc	6,633,000	0.28
9. Seaside Heights Imp. & Dev	5,978,100	0.27
10. Paragon at Seaside Heights	<u>5,250,400</u>	<u>0.26</u>
<b>Total</b>	<b><u>\$110,674,600</u></b>	<b><u>11.38%</u></b>

Source: Tax Assessor of the Borough

**Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year Percentage of Collection</u></b>
2009	\$11,657,896	\$11,593,279	99.44%
2008	10,797,197	10,791,744	99.94
2007	9,996,035	9,985,522	99.89
2006	8,966,445	8,890,570	99.94
2005	8,263,644	8,255,653	99.90

**Borough of Seaside Heights**

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2009	\$0.00	\$2,347.99	\$2,347.99	0.020%
2008	0.00	164.53	164.53	0.002
2007	0.00	5,403.68	5,403.68	0.052
2006	0.00	9,211.67	9,211.67	0.102
2005	0.00	248.25	248.25	0.003

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Amount</u>
2009	\$130,705.13
2008	130,705.13
2007	663,705.17
2006	1,136,721.40
2005	1,023,905.73

**Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for the past five (5) years.

<u>Year</u>	<u>Local Purpose</u>	<u>County</u>	<u>Local School</u>	<u>Regional School</u>	<u>Total Taxes</u>
2010	\$0.517	\$0.318	\$0.301	\$0.296	\$1.432
2009	0.440	0.304	0.264	0.298	1.306
2008	0.357	0.301	0.287	0.265	1.210
2007	0.281	0.257	0.242	0.257	1.037
2006	0.937	0.943	0.985	0.925	3.791

Source: Abstract of Ratables and State of New Jersey – Property Taxes

**Valuation of Property**

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Aggregate True Value of Real Property</u>	<u>Equalized Valuation</u>
2010	\$869,013,700	104.29%	\$833,266,584	\$833,655,896
2009	874,247,800	102.86	849,939,529	850,347,326
2008	874,060,600	100.24	871,967,877	872,344,167
2007	957,801,050	109.72	872,950,283	873,307,749
2006	230,871,000	29.60	779,969,595	780,093,949

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

**Borough of Seaside Heights**

**Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Borough for past three (3) years.

<b><u>Classification</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Vacant Land	\$50,563,100	\$49,431,100	\$43,217,800
Residential	521,672,800	523,454,700	521,942,800
Farm (Regular and Qualified)	-0-	-0-	-0-
Commercial	257,005,200	260,988,100	268,433,200
Industrial	-0-	-0-	-0-
Apartments	<u>39,772,600</u>	<u>40,373,900</u>	<u>40,467,600</u>
<b>Total</b>	<b>\$869,013,700</b>	<b>\$874,247,800</b>	<b>\$874,060,600</b>

Source: Abstract of Ratables and State of New Jersey –Property Value Classification

**Borough Indebtedness as of December 31, 2009**

General Purpose Debt	\$10,947,248	
School District Debt	1,081,302	
Self-Liquidating Debt	<u>10,982,867</u>	
<b>TOTAL GROSS DEBT</b>		<b>\$23,011,417</b>
Less: Statutory Deductions		
School District Debt	\$1,081,302	
Self-Liquidating Debt	10,982,867	
Other Bonds and Notes	<u>2,225,000</u>	
Total:		<b><u>14,289,169</u></b>
<b>TOTAL NET DEBT</b>		<b><u>\$8,722,248</u></b>

Source: Annual Debt Statements of the Borough



**Borough of Seaside Heights**

**Overlapping Debt (as of December 31, 2010)**

<b><u>Name of Related Entity</u></b>	<b><u>Net Debt</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Ocean County <sup>1</sup>	\$427,048,645	0.80%	\$3,416,389
Ocean County Utilities Authority <sup>2</sup>	262,487,866	1.33	<u>3,491,089</u>
Total Net Overlapping Debt			\$6,907,478
Net Direct Debt			<u>8,722,248</u>
Total Net Direct and Overlapping Debt			<b><u>\$15,629,726</u></b>

<sup>1</sup> Borough share calculated based on the Borough's percentage of total equalized valuation in the County.

<sup>2</sup> Borough share calculated based on the Borough's percentage of total system usage.

**Debt Limit**

Average Equalized Valuation Basis (2008, 2009, 2010)	\$852,115,796
Permitted Debt Limitation (3 ½ %)	29,824,052
Less: Net Debt of the Borough	<u>8,722,248</u>
Remaining Borrowing Power	<u>\$21,101,804</u>
Percentage of Net Debt to Average Equalized Valuation	1.02%
Gross Debt Per Capita (based on 2000 population estimate of 3,155)	\$7,294
Net Debt Per Capita (based on 2000 population estimate of 3,155)	\$2,765

Source: Annual Debt Statement of the Borough

## **INFORMATION REGARDING THE BOROUGH OF SEASIDE PARK<sup>5</sup>**

The following material presents certain economic and demographic information of the Borough of Seaside Park (the "Borough").

### **General Information**

The Borough of Seaside Park (the "Borough"), in the County of Ocean (the "County"), State of New Jersey (the "State"), was incorporated in 1898 and consists of an area approximately 0.77 square miles. The Borough is located on the Barnegat Barrier Island in the County along the Atlantic Ocean and Barnegat Bay, which bay is part of the inland waterway running along the eastern seaboard of the continental United States. The Borough of Seaside Heights forms the northern border of the Borough, the South Seaside Park section of the Township of Berkeley and Island Beach State Park form the Borough's southern border, Barnegat Bay forms the Borough's western border and the Atlantic Ocean forms the Borough's eastern border.

The Borough is primarily a residential community with a year-round population of just over 2,200 residents. Its main industry is summer tourism, with almost two miles of shoreline along the Atlantic Ocean, offering the wide beaches of Island Beach State Park on the Atlantic Ocean and the vast expanses of the Barnegat Bay and the Toms River for sailing and water sports.

With the opening of the Garden State Parkway and improvements to Federal, State and County highways and roadways after 1950, residential development within the County increased and commercial development followed soon thereafter. For several decades, the County's population and development have increased the fastest of all counties in the State. The Borough is located south of the New York-northern New Jersey metropolitan area and to the east of the Greater Philadelphia metropolitan area, each respectively being approximately 68 miles and 70 miles from the Borough.

The Borough is located along or near major transportation corridors to the south of the New York-northern New Jersey metropolitan area and to the east of the Greater Philadelphia metropolitan area. The principal north to south route in the Borough is Route 35. State Highway Route 37 runs westerly from the Borough to the Garden State Parkway, which proceeds north to the New York-northern New Jersey metropolitan area and south to Atlantic City and Cape May, as well as to State Highway Route 70, the principal State artery leading to the Greater Philadelphia metropolitan area. The Borough is located south of Interstate 195 and north of the Atlantic City Expressway. Interstate 195 proceeds westerly to Interstate 95 (New Jersey Turnpike) which is a major beltway serving the eastern seaboard of the United States. The Atlantic City Expressway connects Atlantic City with the Greater Philadelphia metropolitan area.

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<sup>5</sup> Source: Audit of the Borough (unless otherwise indicated).

## **Borough of Seaside Park**

### **Area Economy**

The U.S. Census PMSA Designation for the Counties of Monmouth and Ocean classifies the two county region as sharing certain characteristics. Employment and housing integrate the two counties, with an estimated 75% of the work trips initiated in each county and ending somewhere in the two (2) county region.

### **Form of Government**

The Borough operates under the Borough form of government as provided by N.J.S.A. 40A:60-1 et seq., as amended and supplemented. The Borough is governed by a six (6) member Borough Council, whose members are elected at large for three year terms by the legally registered voters in the Borough. The Borough Council comprises the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the conduct of Borough business. The legally registered voters in the Borough also elect a Mayor at large for a four (4) year term. The Mayor operates as the chief executive officer of the Borough and presides at Borough Council meetings and may vote to break a tie. The Mayor also has veto powers over Borough ordinances.

### **Public Safety**

The Borough's public safety needs are satisfied by the Borough's Department of Police. The Department of Police consists of fifteen (15) uniformed officers, including one (1) chief, one (1) lieutenant, four (4) sergeants, one (1) acting sergeant, one (1) detective-sergeant and one (1) crossing guard. In addition, there are four (4) dispatchers and one (1) clerk-dispatcher.

### **Volunteer Emergency Groups**

The Borough is serviced by one (1) volunteer fire company. This fire company is known as the Seaside Park Volunteer Fire Company Number 1 (district 9, station 45), which serves residents of the Borough, the South Seaside Park section of the Township of Berkeley and Island Beach State Park. The fire company also houses a scuba team. The Borough is also serviced by one (1) volunteer/paid rescue squad. This rescue squad is known as Tri-Boro First Aid Squad, which serves residents of the Borough, the South Seaside Park section of the Township of Berkeley, Seaside Heights and Island Beach State Park.

### **Department of Public Works**

The Department of Public Works has fifteen (15) full-time employees, including one (1) acting director, as well as five (5) permanent part-time employees. The Department is responsible for the maintenance and repair of all Borough roads, parking meters, buildings and facilities, the maintenance and repair of beaches and playgrounds, the collection of trash, and the maintenance of the Borough's water and sewer utility.

## **Borough of Seaside Park**

### **Retirement Systems**

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions within the New Jersey Department of Treasury is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

### **Pension Information**

Employees, who are eligible to participate in a pension plan, are enrolled in the Public Employees' Retirement System ("PERS") or the Police and Firemen's Retirement System ("PFRS"), Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs, which is based upon the annual billings, received from the State, amounted to \$143,915 for PERS and \$253,996 for PFRS for the year ended December 31, 2009.

### **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough of Seaside Park</u></b>				
2010	1,436	1,254	182	12.7%
2009	1,429	1,256	173	12.1
2008	1,408	1,302	106	7.5
2007	1,375	1,295	80	5.8
2006	1,360	1,276	84	6.2
<b><u>County of Ocean</u></b>				
2010	263,270	236,690	26,580	10.1%
2009	263,076	237,440	25,636	9.7
2008	261,667	246,089	15,578	6.0
2007	257,421	245,690	11,731	4.6
2006	256,392	243,747	12,645	4.9

**Borough of Seaside Park**

**State of New Jersey**

2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.3
2008	4,496,700	4,251,200	245,500	5.5
2007	4,462,300	4,271,700	190,600	4.3
2006	4,492,800	4,283,600	209,200	4.7

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics.

**Money Income**

	<b><u>Borough of Seaside Park</u></b>		<b><u>Ocean County</u></b>		<b><u>State Of New Jersey</u></b>	
	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>	<b><u>1999</u></b>	<b><u>2005-2009*</u></b>
Median Household Income	\$45,380	\$39,886	\$46,443	\$59,939	\$55,146	\$68,981
Median Family Income	58,636	63,750	56,420	73,834	65,370	83,957
Per Capita Income	30,090	28,844	23,054	29,992	27,006	34,566

\*Estimate

Source: US Bureau of the Census

**Population**

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

	<b><u>Borough of Seaside Park</u></b>		<b><u>Ocean County</u></b>		<b><u>State of New Jersey</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>	<b><u>Population</u></b>	<b><u>Percent Change</u></b>
2009*	2,329	2.9%	573,678	2.3%	8,707,739	3.49%
2000	2,263	21.0	510,916	17.9	8,414,350	8.85
1990	1,871	4.2	433,203	25.2	7,730,188	4.96
1980	1,795	--	346,038	--	7,365,001	2.70

\*Estimate

Source: United States Department of Commerce, Bureau of the Census

**Borough of Seaside Park**

**Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2009 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
1. Funtown Pier	\$15,955,800	3.19%
2. D'Onofrio	4,169,600	0.40
3. Joy-Jam	3,499,000	0.39
4. Shree Jyoti, LLC	2,693,400	0.32
5. Seaside Park Yacht Club	2,539,900	0.29
6. Seaside Operating Co.	2,525,300	0.22
7. C Raley & R Borton	2,310,100	0.19
8. M & J Vanna	1,704,300	0.13
9. R Piro & L Rispoli	1,563,800	0.12
10. T & G Collins Trust	<u>1,551,800</u>	<u>0.12</u>
<b>Total</b>	<b><u>\$38,513,000</u></b>	<b><u>5.37%</u></b>

Source: Tax Assessor of the Borough

**Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year Percentage of Collection</u></b>
2009	\$14,257,771	\$13,792,919	96.73%
2008	14,147,610	13,816,393	97.66
2007	13,465,407	13,204,667	98.13
2006	12,582,995	12,299,032	97.74
2005	11,532,983	11,292,339	97.91

**Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2009	\$0	\$409,926	\$409,926	2.88%
2008	0	331,217	331,217	2.34
2007	0	249,990	249,990	1.86
2006	0	280,312	280,312	2.23
2005	0	236,764	236,764	2.05

**Borough of Seaside Park**

**Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2009	\$0
2008	0
2007	0
2006	0
2005	0

**Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for the past five (5) years.

<b><u>Year</u></b>	<b><u>Local Purpose</u></b>	<b><u>County</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>Total Taxes</u></b>
2010	\$0.430	\$0.350	\$0.066	\$0.349	\$1.194
2009	0.430	0.358	0.099	0.338	1.225
2008	0.708	0.622	0.206	0.526	2.062
2007	0.682	0.574	0.191	0.532	1.978
2006	0.663	0.536	0.188	0.445	1.832

Source: Abstract of Ratables and State of New Jersey – Property Taxes

**Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Equalized Valuation</u></b>
2010	\$1,161,459,700	90.27%	\$1,286,650,825	\$1,287,117,033
2009	1,160,087,600	93.02	1,247,137,820	1,247,655,552
2008	681,426,200	50.99	1,336,391,842	1,336,629,118
2007	674,863,500	49.61	1,360,337,634	1,360,578,355
2006	683,337,500	53.46	1,278,222,035	1,278,496,767

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

**Borough of Seaside Park**

**Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Borough for past three (3) years.

<b><u>Classification</u></b>	<b><u>2010</u></b>	<b><u>2009R</u></b>	<b><u>2008</u></b>
Vacant Land	24,129,800	\$27,882,300	\$14,841,300
Residential	1,072,533,300	1,067,289,100	622,537,400
Farm (Regular and Qualified)	-0-	-0-	-0-
Commercial	55,341,400	55,438,100	55,438,100
Industrial	-0-	-0-	-0-
Apartments	<u>9,455,200</u>	<u>9,478,100</u>	<u>9,478,100</u>
<b>Total</b>	<b>\$1,161,459,700</b>	<b>\$1,160,087,600</b>	<b>\$681,426,200</b>

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classifications

**Borough Indebtedness as of December 31, 2009**

General Purpose Debt	\$5,403,179	
School District Debt	870,096	
Self-Liquidating Debt	<u>14,360,658</u>	
<b>TOTAL GROSS DEBT</b>		<b>\$20,633,933</b>
Less: Statutory Deductions		
School District Debt	\$870,096	
Self-Liquidating Debt	14,360,658	
Other Bonds and Notes	<u>400,000</u>	
Total:		<b><u>15,630,754</u></b>
<b>TOTAL NET DEBT</b>		<b><u>\$5,003,179</u></b>

Source: 2009 Annual Debt Statement of the Borough



**Borough of Seaside Park**

**Overlapping Debt (as of December 31, 2010)**

<b><u>Name of Related Entity</u></b>	<b><u>Net Debt</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Ocean County <sup>1</sup>	\$427,048,645	1.17%	\$4,996,469
Ocean County Utilities Authority <sup>2</sup>	262,487,866	1.35	<u>3,543,586</u>
Total Net Overlapping Debt			\$8,540,055
Net Direct Debt			<u>5,003,179</u>
Total Net Direct and Overlapping Debt			<b><u>\$13,543,234</u></b>

<sup>1</sup> Borough share calculated based on the Borough's percentage of total equalized valuation in the County.

<sup>2</sup> Borough share calculated based on the Borough's percentage of total system usage.

**Debt Limit**

Average Equalized Valuation Basis (2008, 2009, 2010)	\$1,290,467,234
Permitted Debt Limitation (3 ½ %)	45,166,353
Less: Net Debt of the Borough	<u>5,003,179</u>
Remaining Borrowing Power	<u>\$40,163,174</u>
Percentage of Net Debt to Average Equalized Valuation	0.39%
Gross Debt Per Capita (based on 2000 population estimate of 2,263)	\$9,118
Net Debt Per Capita (based on 2000 population estimate of 2,263)	\$2,211

Source: Annual Debt Statement of the Borough

## **APPENDIX B**

### **FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE CENTRAL REGIONAL SCHOOL DISTRICT**

WILLIAM E. ANTONIDES, C.P.A., R.M.A., P.S.A.  
WILLIAM E. ANTONIDES, JR., C.P.A., R.M.A., P.S.A.

EDWARD J. SIMONE, C.P.A., R.M.A., P.S.A.  
BRIAN K. LOGAN, C.P.A., R.M.A., P.S.A.  
DOROTHY S. GALLAGHER, C.P.A., R.M.A., P.S.A.  
DONALD F. HILL, C.P.A., P.S.A.  
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Toms River, New Jersey 08753-7704  
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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Central Regional School District  
County of Ocean  
Bayville, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fund statements and the remaining fund information of the Central Regional School District (the "District"), in the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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, the business-type activities, the fund financial statements and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison information are not a required part of the basic financial statements but are supplementary information required by 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 District'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 information 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 information 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 Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William E. Antonides and Company*

  
**William E. Antonides, C.P.A.**  
**Licensed Public School Accountant**  
**Number 31**

November 12, 2010

CENTRAL REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED

The discussion and analysis of Central Regional School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2010. 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 notes to the basic financial statements and financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets increased \$6,496,180 which represents a 39.9 percent increase from 2009. This was mostly due to a change in accounting estimate for fixed assets
- General Fund revenues accounted for \$31,315,166 in revenue, or 92.71 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$3,928,198 or 10.43 percent of total revenues of \$37,674,060.
- Cash and cash equivalents decreased by \$14,645, receivables decreased by \$1,120,963 and net capital assets increased by \$6,268,526.
- The school district had \$35,252,775 in expenses; only \$3,928,198 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state aid) of \$30,621,591 were adequate to provide for these programs.
- Among governmental funds, the general fund had \$31,315,166 in revenues and \$32,984,320 in expenditures. The district's general fund balance decreased \$1,480,948 from 2009.

### **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 Central Regional 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 Central Regional School District, the General Fund is by far the most significant fund.

## **Reporting the school district as a whole**

### **Statement of Net Assets and the Statement of Activities**

While these documents contain 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 asks the questions, "How did we do financially during 2010?" The Statement 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 companies. This basis of accounting takes into account 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. 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 has 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 Activity – 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 extra-curricular 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 Food Service and Childcare 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 major funds. The school district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the school district's most significant funds. The school district's major 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 service 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.

### Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these states 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 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 2010.

Table 1 Net Assets			
	2010		2009
<b>Assets</b>			
Current and other Assets	\$ 2,094,041	\$	3,228,440
Capital Assets	29,062,149		22,793,623
Total Assets	31,156,190		26,022,063
<b>Liabilities</b>			
Long Term Liabilities	5,940,969		8,191,866
Other Liabilities	2,438,061		1,549,218
Total Liabilities	8,378,888		9,741,084

**Net Assets**

Invested in Capital Assets, Net of Debt	28,882,139	15,828,623
Restricted	724,233	906,101
Unrestricted	(6,829,213)	(453,744)
Total Net Assets	22,777,159	16,280,980

Table 2 Shows changes in net assets for 2009 and 2010.

Table 2  
Changes in Net Assets

<b>REVENUES</b>	<b>2010</b>	<b>2009</b>
Charges for Services	\$ 468,831	\$ 539,723
Operating Grants & Contribu.	3,459,367	2,775,637
Property Taxes	26,478,637	25,646,028
Grants & Entitlements	3,531,854	3,876,312
Other	3,735,371	518,965
<b>Total Revenue</b>	<b>\$37,674,060</b>	<b>\$33,356,665</b>
<b>Expenses</b>		
Instruction		
Regular	\$ 8,028,025	\$ 7,758,942
Special Education	3,990,115	3,624,913
Other Special Instruction	137,509	163,751
Vocational	97,034	38,887
Other	1,086,908	967,505
Support Services		
Tuition	1,328,267	1,542,679
Student & Instr. Related	3,316,852	2,968,898
School Admin. Services	1,051,177	1,043,775
Other Admin Services	1,046,923	1,039,457
Plant Oper. & Maintenance	3,677,144	2,956,250
Central Services & Adm. Info.	613,194	692,261
Transportation	2,018,781	3,320,675
Unallocated Benefits	6,319,135	6,333,761
Special School	10,812	16,953
<b>Debt Services</b>		
Interest	221,051	423,136
Unallocated Depreciation	1,432,695	1,315,802
<b>Total Government Activities</b>		
Business Type		



Food Service	865,653	905,000
Community School	11,500	-----
<b>Total</b>	<b>877,153</b>	<b>1,589,372</b>
<b>Total District Expense</b>	<b>\$34,252,775</b>	<b>\$34,807,183</b>

### **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 78.39 percent of revenues for governmental activities for the Central Regional School District for the year 2010. The district's total revenues were \$33,780,178 for the year ended June 30, 2010. Federal, state and local grants accounted for another 19.61 percent of revenue.

The total cost of all programs and services was \$35,252,775. Instruction expenses comprised approximately 37.84% of district expenses in 2010.

### **Business Type Activities**

Revenues for the district's business-type activities (food service and community school programs) were comprised of charges for services and federal and state reimbursements.

- Revenues exceeded food services expenses by \$108,627
- Charges services represent \$461,286 of revenue. This represents amounts paid by patrons for daily food service and services.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast and donated commodities was \$250,425

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.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the school district.

### **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) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$33,780,178 and expenditures were \$35,455,901. The net change in fund balance for the year was a decrease of \$1,487,517. This reflects the district's loss of state aid due to the poor economy as well as budgeted use of fund balance and the deferral of the final state aid payment.

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 year ended June 30, 2010 and the amount and percentage of increases and decreases in relation to prior year revenues.

Table 3

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$27,158,126	80.40	\$993,133	103.65
State Sources	5,309,017	15.72	(609,544)	-63.62
Federal Sources	1,313,034	3.89	604,570	63.10
Other Sources	-0-	0.00	(30,000)	-3.13

State Revenues decreased by \$609,544. The increase in local revenue was predominately due to an increase in the tax levy.

The decrease in State Aid revenue is attributable to poor economic conditions around the state of New Jersey, as well as a loss of Federal funding to the State of New Jersey.

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

Table 4

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent of Increase (Decrease)</u>
Instruction	\$17,984,710	50.72	\$919,131	141.68
Undistributed	15,802,124	44.57	756,280	116.58
Capital Outlay	529,020	1.49	(1,060,352)	(163.45)
Special Schools	10,812	0.03	10,812	1.67
Debt Service	<u>1,129,235</u>	3.18	<u>22,847</u>	3.52
Total	\$35,455,901		648,718	

Changes in expenditures were the results of varying factors. Instructional expenses increased largely due increased special education costs and contractual salary increases.

Capital outlay decreased due to budget cuts made in the development of the 2010 budget. In addition, major capital projects were concluded in 2009.

### **General Fund Budgeting Highlights**

The school district's budget is prepared and 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 2010, the school district had invested in land, buildings, furniture and equipment and vehicles. Table 5 shows fiscal 2009 and 2010 balances.

Table 5  
Capital Assets at June 30<sup>th</sup>

	<u>2010</u>	<u>2008</u>
Land	\$ 1	\$ 1
Buildings & Improvements	45,267,227	45,267,227
Machinery & Equipment	<u>7,456,607</u>	<u>6,598,140</u>
Totals:	\$52,723,834	\$ 51,865,367

Overall capital assets increased \$858,467 from year 2009 to year 2010. The increase in capital assets is due to a change in accounting estimate for fixed assets.

### Debt Administration

At June 30, 2010, the school district had outstanding debt.

Table 6  
Bonded Outstanding Debt at June 30,

	<u>2010</u>	<u>2009</u>
2000 Issue	\$ -0-	\$ 660 000
2001 Issue	\$ 330,000	\$ 520 000
2008 Issue	<u>\$5,760,000</u>	<u>\$ 5,785,000</u>
	\$6,090,000	\$ 6.965,000

At June 30, 2010, the school district was within its legal debt margin. For more detailed information, please refer to the Notes to the Financial Statements and Schedule J-13.

### For the future

The Central Regional School District is presently in moderate financial condition. Due to a poor economy, state aid in the near future is very much in question. The School District is proud of its community support of the public schools. In conclusion, the Central Regional 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 plans to continue its sound management to meet the challenges of the future.

**Contacting the School District's Financial 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 Kevin O'Shea, Business Administrator, at the Central Regional Board of Education, Forest Hills Parkway, Bayville, New Jersey 08721. Please visit our website at <http://www.centralreg.k12.nj.us/>.

**CENTRAL REGIONAL SCHOOL DISTRICT****STATEMENT OF NET ASSETS****Exhibit A-1****JUNE 30, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Assets:			
Cash and Cash Equivalents	\$ 1,205,565.96	\$ 14,673.30	\$ 1,220,239.26
Receivables, Net	600,161.95	22,430.98	622,592.93
Internal Balances	29,792.68	(29,792.68)	
Restricted Assets:			
Capital Reserve Account - Cash	251,208.37		251,208.37
Capital Assets, Net (Note 1)	28,931,580.00	130,569.00	29,062,149.00
Total Assets	<u>31,018,308.96</u>	<u>137,880.60</u>	<u>31,156,189.56</u>
Liabilities:			
Accounts Payable and Accrued Expenses	1,073,496.15	142.50	1,073,638.65
Deferred Revenue	1,089.37		1,089.37
Noncurrent Liabilities (Note 3):			
Due within One Year	5,905,627.00		5,905,627.00
Due beyond One Year	1,398,675.00		1,398,675.00
Total Liabilities	<u>8,378,887.52</u>	<u>142.50</u>	<u>8,379,030.02</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	22,671,570.00	130,569.00	22,802,139.00
Restricted for:			
Debt Service	30,779.98		30,779.98
General Fund	693,453.19		693,453.19
Unrestricted	(756,381.73)	7,169.10	(749,212.63)
Total Net Assets	<u>\$ 22,639,421.44</u>	<u>\$ 137,738.10</u>	<u>\$ 22,777,159.54</u>

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

## **BASIC FINANCIAL STATEMENTS**

**District-wide Financial Statements - A**

CENTRAL REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:					
Instruction:					
Regular	\$ 8,028,024.51	\$	\$ 249,234.24	\$ (7,778,790.27)	\$ (7,778,790.27)
Special Education	3,990,115.35		681,733.02	(3,308,382.33)	(3,308,382.33)
Other Special Instruction	137,509.00			(137,509.00)	(137,509.00)
Vocational	97,033.51			(97,033.51)	(97,033.51)
Other Instruction	1,086,908.25			(1,086,908.25)	(1,086,908.25)
Support Services:					
Tuition	1,328,267.48			(1,328,267.48)	(1,328,267.48)
Student and Instruction Related Services	3,316,851.94		320,966.61	(2,995,885.33)	(2,995,885.33)
School Administrative Services	1,051,176.84			(1,051,176.84)	(1,051,176.84)
Other Administrative Services	1,046,923.39			(1,046,923.39)	(1,046,923.39)
Central Services & Adm. Info. Tech	613,193.73			(613,193.73)	(613,193.73)
Plant Operations and Maintenance	3,677,144.12			(3,677,144.12)	(3,677,144.12)
Pupil Transportation	2,018,780.52			(2,018,780.52)	(2,018,780.52)
Unallocated Benefits	6,319,135.16		1,911,692.78	(4,407,442.38)	(4,407,442.38)
Special Schools	10,811.73			(10,811.73)	(10,811.73)
Debt Service:					
Interest and other charges	221,051.27			(221,051.27)	(221,051.27)
Unallocated Depreciation	1,432,695.00			(1,432,695.00)	(1,432,695.00)
Total Governmental Activities	<u>34,375,621.80</u>		<u>3,163,626.65</u>	<u>(31,211,995.15)</u>	<u>(31,211,995.15)</u>
Business-type Activities:					
Food Service	865,653.19	461,286.42	295,740.21	(108,626.56)	(108,626.56)
Community School	11,500.23	7,545.00		(3,955.23)	(3,955.23)
Total Business-type Activities	<u>877,153.42</u>	<u>468,831.42</u>	<u>295,740.21</u>	<u>(112,581.79)</u>	<u>(112,581.79)</u>
Total Primary Government	<u>\$ 35,252,775.22</u>	<u>\$ 468,831.42</u>	<u>\$ 3,459,366.86</u>	<u>\$ (31,211,995.15)</u>	<u>\$ (31,324,576.94)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes, Net					
Tuition				\$ 26,478,636.98	\$ 26,478,636.98
State and Federal Aid - Unrestricted				106,081.36	106,081.36
State Aid - Restricted				3,499,854.09	3,499,854.09
Miscellaneous Income				32,000.00	32,000.00
Capital Contributions				505,018.50	506,792.58
Total General Revenues				<u>7,052,468.74</u>	<u>7,052,468.74</u>
				<u>37,674,059.67</u>	<u>37,675,833.75</u>
Change in Net Assets				6,462,064.52	6,351,256.81
Net Assets - Beginning				16,177,356.92	16,177,356.92
Net Assets - Ending				<u>\$ 22,639,421.44</u>	<u>\$ 22,528,613.73</u>



**Fund Financial Statements - B**

**CENTRAL REGIONAL SCHOOL DISTRICT****BALANCE SHEET****Exhibit B-1****GOVERNMENTAL FUNDS****June 30, 2010**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Total Governmental Funds</u></b>
Assets:				
Cash and Cash Equivalents	\$ 1,174,785.98	\$	\$ 30,779.98	\$ 1,205,565.96
Due from Other Funds	326,633.48			326,633.48
Receivables from Other Governments	143,536.07	391,464.88		535,000.95
Other Receivables	65,161.00			65,161.00
Restricted Cash and Cash Equivalents	251,208.37			251,208.37
Total Assets	<u>1,961,324.90</u>	<u>391,464.88</u>	<u>30,779.98</u>	<u>2,383,569.76</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	872,391.18	82,345.21		954,736.39
Interfund Payable		303,610.12		303,610.12
Payable to Other Governments		4,420.18		4,420.18
Deferred Revenue		1,089.37		1,089.37
Total Liabilities	<u>872,391.18</u>	<u>391,464.88</u>		<u>1,263,856.06</u>
Fund Balances:				
Reserved for:				
Encumbrances	74,290.77			74,290.77
Maintenance Reserve Account	91,147.82			91,147.82
Emergency Reserve	50,000.00			50,000.00
Capital Reserve Account	251,208.37			251,208.37
Excess Surplus - Designated for Subsequent Year's Expenditures	301,097.00			301,097.00
Unreserved, Designated for Subsequent Year's Expenditures	740,903.00		30,718.00	771,621.00
Unreserved, Reported in:				
General Fund	(419,713.24)			(419,713.24)
Debt Service Fund			61.98	61.98
Total Fund Balances	<u>1,088,933.72</u>		<u>30,779.98</u>	<u>1,119,713.70</u>
Total Liabilities and Fund Balances	<u>\$ 1,961,324.90</u>	<u>\$ 391,464.88</u>	<u>\$ 30,779.98</u>	

Amounts reported for *governmental activities* in the Statement of Net  
Assets (A-1) are different because:

Certain Assets (such as capital assets and accounts receivable) are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets	28,931,580.00
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(7,411,872.26)</u>

Net Assets of Governmental Activities \$ 22,639,421.44

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

**CENTRAL REGIONAL SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****Exhibit B-2****GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2010**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
Revenues:				
Local Sources:				
Local Tax Levy	\$ 25,356,032.98	\$	\$ 1,122,604.00	\$ 26,478,636.98
Tuition Charges	106,081.36			106,081.36
Miscellaneous	499,916.86	73,429.25	61.64	573,407.75
Total - Local Sources	25,962,031.20	73,429.25	1,122,665.64	27,158,126.09
State Sources	5,309,017.02			5,309,017.02
Federal Sources	44,118.09	1,268,916.38		1,313,034.47
Total Revenues	31,315,166.31	1,342,345.63	1,122,665.64	33,780,177.58
Expenditures:				
Current:				
Regular Instruction	7,778,790.27	249,234.24		8,028,024.51
Special Education Instruction	3,308,382.33	681,733.02		3,990,115.35
Other Special Instruction	137,509.00			137,509.00
Vocational Education	97,033.51			97,033.51
Other Instruction	1,086,908.25			1,086,908.25
Support Services and Undistributed Costs:				
Tuition	1,328,267.48			1,328,267.48
Student and Instruction Related Services	2,995,885.33	320,966.61		3,316,851.94
School Administrative Services	1,051,176.84			1,051,176.84
Other Administrative Services	1,046,923.39			1,046,923.39
Central Services and Administration	490,277.79			490,277.79
Information Technology	122,915.94			122,915.94
Plant Operations and Maintenance	3,685,340.12			3,685,340.12
Pupil Transportation	2,018,780.52			2,018,780.52
Unallocated Benefits	7,328,297.40	58,411.76		7,386,709.16
Special Schools	10,811.73			10,811.73
Debt Service:				
Principal			875,000.00	875,000.00
Interest and Other Charges			254,235.01	254,235.01
Capital Outlay	497,020.26	32,000.00		529,020.26
Total Expenditures	32,984,320.16	1,342,345.63	1,129,235.01	35,455,900.80
Excess (Deficiency) of Revenues over Expenditures	(1,669,153.85)		(6,569.37)	(1,675,723.22)
Other Financing Sources (Uses):				
Capital leases (non-budgeted)	188,206.00			188,206.00
Total Other Financing Sources and Uses	188,206.00			188,206.00
Net Change in Fund Balances	(1,480,947.85)		(6,569.37)	(1,487,517.22)
Fund Balance - July 1	2,569,881.57		37,349.35	2,607,230.92
Fund Balance - June 30	\$ 1,088,933.72	\$	\$ 30,779.98	\$ 1,119,713.70

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

**CENTRAL REGIONAL SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**    **Exhibit B-3**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (1,487,517.22)

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

Capital outlays are reported in governmental funds as  
expenditures. However, in the Statement of Activities,  
the cost of those assets is allocated over their useful  
lives as depreciation expense.  
which depreciation exceeded capital outlays in the period.

Depreciation Expense	\$ (1,432,695.00)	
Capital Outlays (Net)	<u>7,581,489.00</u>	
		6,148,794.00

Liquidation of noncurrent liabilities are reflected in this fund's financial statements as an expense (use of current financial resources) but are not reported in the statement of activities.		1,983,953.74
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Generally expenditures recognized in this fund's financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		(183,166.00)
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Change in Net Assets of Governmental Activities (A-2)		<u><u>\$ 6,462,064.52</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

CENTRAL REGIONAL SCHOOL DISTRICTSTATEMENT OF NET ASSETS

Exhibit B-4

PROPRIETARY FUNDSJune 30, 2010

	<u>Enterprise Fund</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 14,673.30
Accounts Receivable	22,430.98
Total Current Assets	<u>37,104.28</u>
Noncurrent Assets:	
Building and Equipment	283,427.00
Less - Accumulated Depreciation	(152,858.00)
Total Noncurrent Assets	<u>130,569.00</u>
Total Assets	<u>167,673.28</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	142.50
Interfunds Payable	29,792.68
Total Current Liabilities	<u>29,935.18</u>
Net Assets:	
Invested in Capital Assets	130,569.00
Unrestricted	<u>7,169.10</u>
Total Net Assets	<u>\$ 137,738.10</u>

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

**CENTRAL REGIONAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**

Exhibit B-5

**June 30, 2010**

	<b><u>Enterprise Fund</u></b>
Operating Revenues:	
Charges for Services	\$ 468,831.42
Total Operating Revenues	<u>468,831.42</u>
Operating Expenses:	
Other Purchased Services	11,500.23
Supplies and Materials	63,542.17
Depreciation	13,761.00
Cost of Sales	776,920.23
Total Operating Expenses	<u>865,723.63</u>
Operating (Loss) Income	<u>(396,892.21)</u>
Nonoperating Revenues/Expenses:	
State Sources:	
State School Breakfast Program	2,207.00
State School Lunch Program	11,102.42
Federal Sources:	
School Breakfast Program	27,331.82
National School Lunch Program	210,286.81
Food Distribution Program	44,812.16
Miscellaneous	1,774.08
Loss on Disposal of Capital Assets	(11,429.79)
Total Nonoperating Revenues	<u>286,084.50</u>
Net Income	(110,807.71)
Capital Contributions	144,923.00
Transfers In	<u>-</u>
Change In Net Assets	34,115.29
Net Assets, July 1	<u>103,622.81</u>
Net Assets, June 30	<u>\$ 137,738.10</u>

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

**CENTRAL REGIONAL SCHOOL DISTRICT****STATEMENT OF CASH FLOWS****Exhibit B-6****PROPRIETARY FUNDS****JUNE 30, 2010**

	<b><u>Enterprise Fund</u></b>
Cash Flows from Operating Activities:	
Charges for Services	\$ 468,831.42
Disbursements for Operating Expenses	(807,007.97)
Net Cash Provided by (Used for) Operating Activities	<u>(338,176.55)</u>
Cash Flow from Noncapital Financing Activities:	
State Sources	12,982.60
Federal Sources	229,975.42
Miscellaneous	1,646.81
(Decrease) in Payables	(113,857.39)
Transfers (to)/from Other Funds	(169,871.54)
Net Cash Provided by Non-Capital Financing Activities	<u>(39,124.10)</u>
Net Decrease in Cash and Cash Equivalents	(377,300.65)
Balance, July 1	<u>391,973.95</u>
Balance, June 30	<u>\$ 14,673.30</u>
Cash Flows from Operating Activities:	
Operating Income/(Loss)	\$ (396,892.21)
Adjustments to Reconcile Operating Loss	
to Cash Provided by Operating Activities:	
Depreciation	13,761.00
Federal Commodities Consumed	44,812.16
Changes in Assets and Liabilities:	
(Decrease) in Accounts Payable	<u>142.50</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (338,176.55)</u>

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

**CENTRAL REGIONAL SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET ASSETS****Exhibit B-7****JUNE 30, 2010**

	<b><u>Unemployment Compensation Trust</u></b>	<b><u>Private Purpose Trust - Scholarship Fund</u></b>	<b><u>Agency Funds</u></b>
Assets:			
Cash and Cash Equivalents	\$ 531,374.93	\$ 122,015.05	\$ 170,172.82
Due from Other Funds	12,142.45		6,769.32
Other Receivables	<u>                    </u>	<u>11,240.00</u>	<u>                    </u>
Total Assets	\$ <u>543,517.38</u>	\$ <u>133,255.05</u>	\$ <u>176,942.14</u>
Liabilities:			
Accounts Payable	\$ 20,736.64		
Payroll Deductions and Withholdings			\$ 5,394.91
Interfunds Payable			12,142.45
Due to Student Groups	<u>                    </u>	<u>                    </u>	<u>159,404.78</u>
Total Liabilities	<u>20,736.64</u>	<u>                    </u>	\$ <u>176,942.14</u>
Net Assets:			
Reserved - Scholarships		133,255.05	
Reserved - Unemployment Benefits	<u>522,780.74</u>	<u>                    </u>	
Total Net Assets	\$ <u>522,780.74</u>	\$ <u>133,255.05</u>	

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



**CENTRAL REGIONAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

Exhibit B-8

**JUNE 30, 2010**

	<b>Private Purpose Trust - Scholarship Fund</b>	<b>Unemployment Compensation Trust</b>
Additions:		
Interest Earned	\$ 1,412.87	\$ 2,744.02
Contributions	24,644.01	
Payroll Deductions and Withholdings		54,272.85
Total Additions	<u>26,056.88</u>	<u>57,016.87</u>
Deductions:		
Unemployment Claims		108,596.95
Disbursements	11,285.15	
Cancellation of Receivables	5,143.68	
Scholarships Awarded	750.00	
Total Deductions	<u>17,178.83</u>	<u>108,596.95</u>
Change in Net Assets	8,878.05	(51,580.08)
Net Assets, June 30, 2009	<u>124,377.00</u>	<u>574,360.82</u>
Net Assets, June 30, 2010	<u><u>\$ 133,255.05</u></u>	<u><u>\$ 522,780.74</u></u>

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

**CENTRAL REGIONAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1.      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education (the "Board") of the Central Regional School District (the "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 Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. The operations of the District include junior and senior high schools for students of the Boroughs of Island Heights, Ocean Gate, Seaside Heights and Seaside Park and the Township of Berkeley, Ocean County, New Jersey.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**B.      Government-wide and Fund Financial Statements**

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by state and federal aid, tuition and municipal tax levies, from business-type activities generally financed in whole or in part with fees charged to external parties.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees and other charges to users of the District's services and (2) operating grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Tax levies and other revenue sources not properly included with program revenues are reported as general revenues.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (Continued)**

*Fund Financial Statements*

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. The New Jersey Department of Education (the "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.

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

The financial statements of the District are prepared in accordance with GAAP. The District's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences which are reported as expenditures in the year due. General capital asset acquisitions are reported as expenditures in governmental funds.

Major revenue sources susceptible to accrual includes intergovernmental revenues, and the tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting**

**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.

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

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

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

**Proprietary Funds**

The District reports the following proprietary funds:

**Enterprise Fund** - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Fund** - The internal service funds are established to account for the financing of goods or services provided to organizational units within a District or in some cases other governmental units on a cost reimbursement basis.

**Fiduciary Funds**

The District reports the following fiduciary funds:

**Trust and Agency Funds** - The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

**Proprietary Funds (Continued)**

**Trust and Agency Funds (Continued)**

**Unemployment Compensation Trust Fund** - The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

**Private-Purpose Trust Fund** - The trust fund encompasses other trust fund arrangements for which principal and income benefit individuals outside of the school district. The District issued scholarships to students.

**Agency Funds (Payroll, and Student Activities Fund)** - 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.

**E. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriation for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

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. 60:20-2A.2 (m) 1. All budget amendments/transfers must be approved by 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).

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets/Budgetary Control (Continued)**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and GAAP with the exception of the legally mandated revenue recognition of the last two state aid payments 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.

A reconciliation of the special revenue funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule (C-2) to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2) is presented in the Budget-to-GAAP Reconciliation (C-3).

**F. Encumbrances**

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenues and/or reductions of receivables of other governments 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.

**G. Interfund Transactions**

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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out ("FIFO") method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

**I. Allowance for Uncollectible Accounts**

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

**J. Capital Assets and Depreciation**

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

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

Buildings and Improvements	20 - 50
Equipment and Vehicles	5 - 20
Furniture and Fixtures	5 - 20

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

Capital asset activity for the year ended June 30, 2010 was as follows:

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****J. Capital Assets and Depreciation (Continued)**

	<b><u>Balance July 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Balance June 30, 2010</u></b>
Governmental Activities:			
Land	\$ 1	\$	\$ 1
Buildings	37,195,578	8,071,649	45,267,227
Equipment	4,772,892	2,683,715	7,456,607
Total	<u>41,968,471</u>	<u>10,755,364</u>	<u>52,723,835</u>
Less Accumulated Depreciation:			
Buildings	15,913,315	2,799,424	18,712,739
Equipment	3,272,370	1,807,146	5,079,516
Total Accumulated Depreciation	<u>19,185,685</u>	<u>4,606,570</u>	<u>23,792,255</u>
Governmental Activities Capital Assets (Net)	<u>\$ 22,782,786</u>	<u>\$ 6,148,794</u>	<u>\$ 28,931,580</u>

Accumulated depreciation was allocated to governmental activities as follows:

	<b><u>Prior Years' Accumulated Depreciation</u></b>	<b><u>Current Year Depreciation Expense</u></b>	<b><u>Contributed Capital Net Adjustment</u></b>	<b><u>Total Accumulated Depreciation</u></b>
Instruction	\$ 237,607	\$	\$	\$ 237,607
Support Services	2,789,023			2,789,023
Unallocated	16,159,054	1,432,695	3,173,875	20,765,624
	<u>\$ 19,185,684</u>	<u>\$ 1,432,695</u>	<u>\$ 3,173,875</u>	<u>\$ 23,792,254</u>

	<b><u>Balance July 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance June 30, 2010</u></b>
Business-type Activities:				
Equipment	\$ 246,261	\$ 144,923	\$ 107,757	\$ 283,427
Less Accumulated Depreciation:				
Equipment	<u>235,424</u>	<u>13,761</u>	<u>96,327</u>	<u>152,858</u>
Governmental Activities Capital Assets (Net)	<u>\$ 10,837</u>	<u>\$ 131,162</u>	<u>\$ (11,430)</u>	<u>\$ 130,569</u>



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****J. Capital Assets and Depreciation (Continued)**

Accumulated depreciation was allocated to business-type activities as follows:

	<b>Prior Years' Accumulated Depreciation</b>	<b>Current Year Depreciation Expense</b>	<b>Total Accumulated Depreciation</b>
Support Services	\$ <u>235,424</u>	\$ <u>(82,566)</u>	\$ <u>152,858</u>

**K. Compensated Absences**

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

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

The liability for vested compensated absences of the governmental fund types is recorded as 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 balance of compensated absences.

**L. Deferred Revenue**

Deferred revenue in the general and special revenue funds represent cash which has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

**M. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

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

**NOTE 2.      CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**A.      Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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

At year-end the carrying amount of the District's deposits was \$2,295,010 and the bank balance amount was \$2,559,845. Of this amount \$750,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$1,809,845.

**B.      Investments**

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

- a.      Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b.      Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c.      Bonds or other obligations of the school district.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS****C. Credit Risk Categories**

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2010</u>	<u>2009</u>
Insured:		
FDIC	\$ 750,000	\$ 304,903
GUDPA	1,809,845	1,619,676
Uninsured		<u>1,755,487</u>
	<u>\$ 2,559,845</u>	<u>\$ 3,680,066</u>

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

State law limits investments as noted above.

During the year the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the District.

**NOTE 3. LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2010 are as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences Payable	\$ 2,101,896	\$	\$ 1,067,604	\$ 1,034,292	\$ 448,333
Bonds Payable	6,965,000		875,000	6,090,000	915,000
Capital Leases Payable		188,206	8,196	180,010	35,342
	<u>\$ 9,066,896</u>	<u>\$ 188,206</u>	<u>\$ 1,950,800</u>	<u>\$ 7,304,302</u>	<u>\$ 1,398,675</u>

**A. Bonds Payable**

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

**NOTE 3. LONG-TERM OBLIGATIONS (CONTINUED)****A. Bonds Payable (Continued)**

The District's serial bonds are summarized as follows:

\$2,751,000 Variable Interest Rate School District Bonds 2001 issued February 1, 2001, installment maturities to July 15, 2015, of which \$1,031,500 (partial maturity due July 15, 2011 and all maturities due July 15, 2012 and subsequent) is to be from the refunding school bonds	\$ 330,000
\$5,900,000 Variable Interest Rate Refunding School Bonds issued May 29, 2008, installment maturities to July 15, 2015	<u>5,760,000</u>
	\$ <u>6,090,000</u>

The bonds mature serially in installments to the year 2016. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

<b><u>Year Ending</u></b> <b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	\$ 915,000	\$ 218,061	\$ 1,133,061
2012	955,000	181,934	1,136,934
2013	995,000	145,031	1,140,031
2014	1,045,000	109,331	1,154,331
2015	1,075,000	64,169	1,139,169
2016	<u>1,105,000</u>	<u>18,647</u>	<u>1,123,647</u>
	\$ <u>6,090,000</u>	\$ <u>737,173</u>	\$ <u>6,827,173</u>

**B. Bonds Authorized but not Issued**

As of June 30, 2010 the District had no bonds authorized but not issued.

**C. Capital Leases Payable**

The District is leasing copiers and buses totaling \$188,206 under capital leases. These capital leases are for terms of five to six years. The following are schedules of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2010:

**NOTE 3.      LONG-TERM OBLIGATIONS (CONTINUED)****C.      Capital Leases Payable (Continued)**

\$79,424 "Bus Lease":

<b>Fiscal Year Ended June 30</b>	
2011	\$ 17,766
2012	17,766
2013	17,766
2014	17,766
2015	<u>17,766</u>
Total Minimum Lease Payments	88,830
Less: Amount Representing Interest	<u>9,406</u>
Present Value of Lease Payments	\$ <u>79,424</u>

\$108,782 "Copier Lease":

<b>Fiscal Year Ended June 30</b>	
2011	\$ 25,443
2012	25,443
2013	25,443
2014	25,443
2015	<u>14,261</u>
Total Minimum Lease Payments	116,033
Less: Amount Representing Interest	<u>15,447</u>
Present Value of Lease Payments	\$ <u>100,586</u>

**NOTE 4.      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 (the "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, P.O. Box 295, Trenton, New Jersey, 08625.

#### **NOTE 4. PENSION PLANS (CONTINUED)**

##### **Teachers' Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund ("TPAF") 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 TPAF 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**

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 PERS 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-administrated retirement system or other State or local jurisdiction.

##### **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 1/55 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.

**NOTE 4. PENSION PLANS (CONTINUED)****Significant Legislation**

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) 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  $\frac{1}{2}$  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 District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. 1994, Chapter 115, P.L. 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% 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.

**Three-Year Trend Information for PERS**

<b><u>Year</u></b> <b><u>Funding</u></b>	<b><u>Annual</u></b> <b><u>Pension</u></b> <b><u>Cost (APC)</u></b>	<b><u>Percentage</u></b> <b><u>of APC</u></b> <b><u>Contributed</u></b>	<b><u>Net</u></b> <b><u>Pension</u></b> <b><u>Obligation</u></b>
6/30/10	\$ 321,126	100%	\$ -0-
6/30/09	26,466	100%	-0-
6/30/08	203,542	100%	-0-

**Three-Year Trend Information for TPAF (Paid On-Behalf of the District)**

<b><u>Year</u></b> <b><u>Funding</u></b>	<b><u>Annual</u></b> <b><u>Pension</u></b> <b><u>Cost (APC)</u></b>	<b><u>Percentage</u></b> <b><u>of APC</u></b> <b><u>Contributed</u></b>	<b><u>Net</u></b> <b><u>Pension</u></b> <b><u>Obligation</u></b>
6/30/10	\$ -0-	-0-	\$ -0-
6/30/09	837,551	100%	-0-
6/30/08	2,130,663	100%	-0-

**NOTE 4. PENSION PLANS (CONTINUED)****Three-Year Trend Information for TPAF (Paid On-Behalf of the District) (Continued)**

During the fiscal year ended June 30, 2010, the State of New Jersey contributed \$852,660 the TPAF for post-retirement medical benefits and NCGI premium contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$1,000,621 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 24.

**NOTE 5. POST-RETIREMENT BENEFITS**

P.L. 1987, c. 394 and P.L. 1980, c. 6 requires 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 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 prefunding 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.

**NOTE 6. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balance remained on the balance sheet at June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 326,633	\$
Fiduciary Funds	6,769	
Special Revenue Fund		303,610
Enterprise Fund		<u>29,792</u>
	<u>\$ 333,402</u>	\$ <u>333,402</u>

All the above interfund advances are expected to be liquidated within the next year. It was also noted that substantially all the above interfund payable balances are the result of cash advances caused by receivable balances in each respective fund.



**NOTE 7.      DEFERRED COMPENSATION**

The District offers its employees a choice of the following deferred compensation plans 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:

American Express Financial Advisors  
Citistreet  
Equitable  
Lincoln Investment Planning Company, Inc.  
Metropolitan Life  
Paul Revere and Union Central Life

**NOTE 8.      ECONOMIC DEPENDENCY**

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the District's programs and activities.

**NOTE 9.      RISK MANAGEMENT**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefor, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2010 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefor, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

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

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

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

**NOTE 9. RISK MANAGEMENT (CONTINUED)**

<u>Fiscal Year</u>	<u>Interest Earned/ District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-10	\$ 2,744	\$ 54,273	\$ 87,861	\$ 543,517
2008-09	8,008	47,841	70,880	574,361
2007-08	22,570	39,189	39,008	589,392

**NOTE 10. FUND BALANCE APPROPRIATED**

**General Fund** - Of the \$1,515,653 General Fund budgetary fund balance at June 30, 2010 \$1,042,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2011; of this amount \$301,097 is from Excess Surplus from a previous period and \$740,903 is unrestricted surplus.

**Debt Service Fund** - Of the \$30,780, Debt Service Fund fund balance at June 30, 2010 \$30,718 has been anticipated revenue for the year ending June 30, 2010 and \$62 is unreserved and undesignated.

**NOTE 11. CALCULATION OF EXCESS SURPLUS**

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 is \$301,097 which is designated for use in the 2011 budget. (See Note 10).

**NOTE 12. MAINTENANCE RESERVE ACCOUNT**

A maintenance reserve account was previously established by the Central Regional School District for the accumulation of funds for the required maintenance of District facilities. The maintenance reserve account is maintained in the General Fund and its activity is included the General Fund annual budget.

A district may only increase the balance in the maintenance reserve account by appropriating funds in the annual General Fund budget certified for taxes. Effective June 30, 2010 the District authorized transfers in the amount of \$630,728 to provide for the replacement of bleachers.

At June 30, 2010 the balance in the maintenance reserve account was \$91,148.

**NOTE 13. EMERGENCY RESERVE ACCOUNT**

The emergency reserve is used to accumulate funds to finance unanticipated general fund expenditures required for a thorough and efficient education. The maximum balance permitted at any time in this reserve is greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by Board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. Withdrawals from the reserve require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

Effective June 30, 2009 the District authorized a \$50,000 emergency reserve to be established.

**NOTE 14.     CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the District by inclusion of \$250,000 effective June 30, 2009 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30 ) of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The capital reserve balance was \$251,208 on June 30, 2010.

**NOTE 15.     DEFICIT BALANCE**

The District has a deficit fund balance of \$419,713 in the General Fund as of June 30, 2010 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 can not 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 payment(s), 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 payment(s) 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 \$419,713 is less than the last state aid payments.

## **APPENDIX C**

### **FORM OF LEGAL OPINION**

*An opinion in substantially the following form  
will be delivered at Closing, assuming  
no material changes in facts or law*

\_\_\_\_\_, 2011

The Board of Education of the Central Regional  
School District, in the County of Ocean, New Jersey

Re: \$4,113,000 School District Bonds, Series 2011

Ladies and Gentlemen:

We have examined certified copies of the record of proceedings of The Board of Education of the Central Regional School District, in the County of Ocean, New Jersey (the "Board of Education"), a school district of the State of New Jersey situate in the Central Regional School District in the County of Ocean (the "School District"), pertaining to the issuance and sale of \$4,113,000 aggregate principal amount of School District Bonds, Series 2011 (the "Bonds"). The Bonds are dated their date of delivery and mature on July 15 in the years and in the principal amounts and bear interest at the rates, payable on January 15, 2012 and semiannually thereafter on the fifteenth days of January and July in each year until maturity, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2012	\$160,000		2017	\$750,000	
2013	160,000		2018	675,000	
2014	170,000		2019	520,000	
2015	175,000		2020	400,000	
2016	850,000		2021	253,000	

The Bonds are fully registered in form and are issued pursuant to Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by the Board of Education on

November 18, 2010, and approved by the legally qualified voters of the School District at a special school election held on January 25, 2011, and by virtue of resolutions duly adopted by the Board of Education on March 17, 2011 and \_\_\_\_\_, 2011. The Bonds are not subject to redemption prior to maturity.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers.

The Bonds are being issued together with moneys of the School District and grant moneys to be received from the State of New Jersey for the purpose of (i) financing (a) the replacement of roof sections and the breezeway totaling approximately 112,000 square feet at the Central Regional High School and to undertake the replacement of approximately 300 windows at the Central Regional High School and Middle School; (b) the connection of the water system for the Central Regional High School and Middle School to the Berkeley Township water system; (c) the district wide paving project for the Central Regional High School and the Middle School; (d) the necessary onsite and offsite improvements and site work and to acquire and install equipment at such locations and/or associated with such improvements (collectively, the "Project"), and (ii) the payment of costs incidental to the issuance and delivery of the Bonds.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, such matters of law, and such agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

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

1. The Bonds have been duly authorized, issued, executed and sold by the Board of Education; the Bonds are legal, valid and binding obligations of the Board of Education and the School District, enforceable in accordance with their terms; and all the taxable property within the School District is subject to the levy of *ad valorem* taxes, without limit as to rate or amount, for the payment of the principal of and interest on the Bonds. The Bonds are additionally secured by the provisions of the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, as amended by P.L. 2003, c. 118.

2. Assuming continuing compliance by the Board with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to the Bonds, and subject to certain provisions of the Code, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Bonds, interest received by a holder of the Bonds will be excludable from gross income for federal income tax purposes, and will not be treated as a preference item for purposes of the alternative minimum tax imposed on individuals or corporations. However, interest on the Bonds may become taxable retroactively if certain requirements under the Code are not complied with.

3. Under the laws of the State of New Jersey as enacted and construed on the date of original issuance of the Bonds, interest on the Bonds and gain from the sale thereof are excludable from New Jersey gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights, and by equitable principles, and the phrase "enforceable in accordance with their terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, or other offering material pertaining to the offering of the Bonds.

GLUCKWALRATH LLP

## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**



## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by The Board of Education of the Central Regional School District, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$\_\_\_\_\_ principal amount of its School District Bonds, Series 2011 (the "Bonds"). The Bonds are being issued pursuant to a proposal approved by the voters of the school district and resolution(s) duly adopted by the Issuer on March 17, 2011 and March \_\_, 2011 (collectively, the "Resolution"). The Bonds are dated \_\_\_\_\_, 2011 and shall mature on July 15 in the years 2012 through 2021, inclusive. The Issuer covenants and agrees as follows:

*Section 1.*     Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

*Section 2.*     Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the MSRB pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

*Section 3.      Provision of Annual Reports.*

(a)      The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of its fiscal year, commencing with the report for the fiscal year ending June 30, 2011, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change to MSRB. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on the MSRB's Internet Web site, or that has been filed with the SEC.

(b)      Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for making available or providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A, in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(c)      The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1.      The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with standards prescribed or permitted by the State Department of Education pursuant to Subchapter 2A of Chapter 20 of Title 6 of the New Jersey Administrative Code. If the Issuer's audited financial statements are not available by the

time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data set forth in the Official Statement dated \_\_\_\_\_, 2011 prepared in connection with the sale of the Bonds in the body and in Appendix A thereto.

*Section 5.     Reporting of Significant Events.*

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

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 others material events affecting the tax status of the Bonds;
7. modifications to rights of Bondholders, if material;
8. Bond Calls, if material and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds,  
if material;
11. rating changes.
12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or

similar officer for the Issuer 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 Issuer, 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 Issuer;

13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which a disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

*Section 6. Termination of Reporting Obligation.* The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

*Section 7. Dissemination Agent.* The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

*Section 8. Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Section 9. Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

*Section 10. Default.* In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event

of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

*Section 11.*     Duties, Immunities and Liabilities of Dissemination Agent.   The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or wilful misconduct. The obligations of the Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

*Section 12.*     Beneficiaries.   This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: April \_\_, 2011

THE BOARD OF EDUCATION OF THE  
CENTRAL REGIONAL SCHOOL DISTRICT, IN  
THE COUNTY OF OCEAN, NEW JERSEY

By: \_\_\_\_\_  
Kevin O'Shea  
School Business Administrator/Board Secretary

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer:       The Board of Education of the Central Regional School District, in the  
County of Ocean, New Jersey

Name of Bond Issue: \$\_\_\_\_\_ School District Bonds, Series 2011

Date of Issuance:       April \_\_, 2011

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2011. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_, 20\_\_.

Dated: \_\_\_\_\_, 20\_\_

THE BOARD OF EDUCATION OF THE  
CENTRAL REGIONAL SCHOOL DISTRICT, IN  
THE COUNTY OF OCEAN, NEW JERSEY

By: \_\_\_\_\_

Name:

Title: