

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 12, 2013

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel to the Board (as defined herein), pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”) interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. It is also the opinion of Bond Counsel that interest on the Bonds held by corporate taxpayers is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. In addition, in the opinion of Bond Counsel, interest on and any gain from the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act. Bond Counsel’s opinions described herein are given in reliance on representations, certifications of fact and statements of reasonable expectation made by the Board in its Tax Certificate (as defined herein), assume continuing compliance by the Board with certain covenants set forth in its Tax Certificate and are based on existing statutes, regulations, administrative pronouncements and judicial decisions. See “TAX MATTERS” herein.

New Issue

Serial Bonds

**THE BOARD OF EDUCATION OF THE
BOROUGH OF BELLMAWR IN
THE COUNTY OF CAMDEN, NEW JERSEY
\$3,093,000 SCHOOL BONDS
(Callable)(Book-Entry-Only)(Bank Qualified)**

Dated: Date of Delivery

Due: January 15, as shown below

The \$3,093,000 School Bonds (the “Bonds”) of The Board of Education of the Borough of Bellmawr in the County of Camden, New Jersey (the “Board” or “Board of Education” when referring to the governing body and legal entity and the “School District” when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as Securities Depository for the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Interest on the Bonds will be payable semiannually on January 15 and July 15 in each year until maturity or earlier redemption, commencing July 15, 2014. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 1 and July 1 (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities. See “DESCRIPTION OF THE BONDS—Redemption” herein.

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

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

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2015	\$105,000			2025	\$165,000		
2016	135,000			2026	170,000		
2017	140,000			2027	175,000		
2018	140,000			2028	180,000		
2019	140,000			2029	185,000		
2020	145,000			2030	190,000		
2021	150,000			2031	195,000		
2022	150,000			2032	205,000		
2023	155,000			2033	208,000		
2024	160,000						

The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Board’s Bond Counsel, McManimon, Scotland & Baumann, LLC, or at such other place as agreed to with the Underwriter on or about July 2, 2013.

**ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY
UNTIL 11:00 A.M. ON JUNE 19, 2013. FOR MORE INFORMATION VIEW
THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM
FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,
VIEW THE NOTICE OF SALE POSTED AT THE WEBSITE SET FORTH ABOVE**

**THE BOARD OF EDUCATION OF THE
BOROUGH OF BELLMAWR,
IN THE COUNTY OF CAMDEN, NEW JERSEY**

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

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

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

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**OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE BOROUGH OF BELLMAWR
IN THE COUNTY OF CAMDEN, NEW JERSEY
\$3,093,000
SCHOOL BONDS
(CALLABLE) (BOOK-ENTRY-ONLY ISSUE) (BANK QUALIFIED)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Bellmawr in the County of Camden, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$3,093,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the sale of the Bonds has been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated July 2, 2013 and shall mature on January 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from July 2, 2013, which interest shall be payable semi-annually on the fifteenth day of January and July commencing on July 15, 2014 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity or earlier redemption by the Board or its duly appointed paying agent to the registered owners of the Bonds as of each January 1 and July 1 next preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests

among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 integrals, with a minimum purchase of \$5,000, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption

The Bonds maturing prior to January 15, 2025 are not subject to optional redemption. The Bonds maturing on or after January 15, 2025 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after January 15, 2024 at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Notice of Redemption

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

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

Security for the Bonds

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

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

All school bonds are secured by the School Bond Reserve established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). 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 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account

equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

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

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

Authorization and Purpose

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on January 3, 2013 and approved by a majority of the legal voters present and voting at the school district election held on March 12, 2013 and by a resolution duly adopted by the Board on April 29, 2013 (the "Resolution").

The purpose of the Bonds is to finance the repair and replacement of the roofs at the Ethel Burke School, Bellmawr Park School, and Bell Oaks School. The total cost of the project is \$3,093,750. \$3,093,000 will be permanently funded through the issuance of the Bonds. \$750 will be made available from other funds of the Board.

BOOK-ENTRY-ONLY SYSTEM¹

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of

¹ Source: The Depository Trust Company

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

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

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

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

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

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

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

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on

the first (1st) day, whether or not a business day, of the calendar month containing an Interest Payment Date.

THE SCHOOL DISTRICT AND THE BOARD

The Board is a seven (7) member board with members elected for staggered three (3) year terms. Pursuant to State statute, the Board appoints a Superintendent and Business Administrator/Board Secretary.

The School District is a Type II school district and provides a full range of educational services appropriate to Pre-kindergarten (Pre-K) through grade eight (8), including regular and special education programs. The School District is coterminous with the boundaries of the Borough of Bellmawr (the "Borough"), in the County of Camden.

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

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

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

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

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

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

The New Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) establishes procedures that allow the date of the annual school election of a Type II district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the Board or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the Board. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four years.

School districts that opt to move the annual school election to November would no longer be required to submit the budget to the voters for approval if the budget is at or below the two-percent property tax levy cap as provided for the New Cap Law. For school districts that opt to change the annual school election date to November, proposals to spend above the two-percent property tax levy cap would be presented to voters at the annual school election in November.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

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

Tax and Spending Limitations

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

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

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

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

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

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

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

The New Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) establishes procedures that allow the date of the annual school election of a Type II district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the Board or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the Board. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four years.

School districts that opt to move the annual school election to November would no longer be required to submit the budget to the voters for approval if the budget is at or below the two-percent property tax levy cap as provided for the New Cap Law. For school districts that opt to change the annual school election date to November, proposals to spend above the two-percent property tax levy cap would be presented to voters at the annual school election in November.

Issuance of Debt

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

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

Every Board is required to provide an annual audit of the school district's accounts and financial transactions. A licensed public school accountant must perform the audit no later than five (5) months after the end of the school fiscal year. The audit, in conformity with statutory requirements, must be filed with the Board and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local Board within thirty (30) days following receipt of the annual audit by such Board.

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

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

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

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

Exceptions to Debt Limitation

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

Capital Lease Financing

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

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., (P.L. 1990, 52) ("QEA") (now repealed), the Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., (P.L.1996, c. 138) (CEIFA) and the Educational Facilities Construction and Financing Act, P.L.2000, c. 72) ("EFCFA"), which became law on July 18, 2000. For the past several years aid was simply determined in the State

Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260 approved January 1, 2008 (A500), attempts to remove the special status given to certain districts known as Abbot Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was recently challenged in the New Jersey Supreme Court and the Court held that the State's plan for school aid is a "constitutionally adequate scheme."

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

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

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

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

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The average for the last three years, of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of the Borough, as annually determined by the State Director of Taxation is \$840,052,739.

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

The Borough has not exceeded its statutory debt limit. As of December 31, 2012, the statutory net debt as a percentage of average equalized valuation was 1.48%. As noted above, the statutory limit is 3 1/2%.

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

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

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

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

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

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any

source may be included as any anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

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

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

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

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

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

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

increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

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

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

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

Tax Assessment and Collection Procedure

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

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

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

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

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the Camden County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey, for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

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

FINANCIAL STATEMENTS

The financial statements of the Board for the year ended June 30, 2012, are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Bowman & Company LLP, Voorhees, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See "APPENDIX B - Financial Statements of The Board of Education of the Borough of Bellmawr in the County of Camden, New Jersey"*.

LITIGATION

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

TAX MATTERS

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") provides that interest on the Bonds is not included in gross income for federal income tax purposes if various requirements set forth in the Code are met. The Board has covenanted in its Arbitrate and Tax Certificate (the "Tax Certificate"), delivered in connection with the issuance of the Bonds, to comply with these continuing

requirements and has made certain representations, certifications of fact, and statements of reasonable expectation in connection with the issuance of the Bonds to assure this exclusion. Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the opinion of McManimon, Scotland & Baumann, LLC (“Bond Counsel”), pursuant to Section 103(a) of Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Bonds held by corporate taxpayers is included in “adjusted current earnings” in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. Bond Counsel’s opinions described herein are given in reliance on the representations, certifications of fact, and statements of reasonable expectation made by the Board in its Tax Certificate, assume continuing compliance by the Board with certain covenants set forth in its Tax Certificate, and are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

Certain Federal Tax Consequences Relating to the Bonds

Although, pursuant to Section 103(a) of the Code, interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Bonds.

Bank Qualification

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

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

New Jersey Gross Income

In the opinion of Bond Counsel, the interest on the Bonds and any gain realized on the sale of the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act.

Future Events

Tax legislation, administrative action taken by tax authorities and court decisions, whether at the Federal or state level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions and even proposals for change could adversely affect the market price or marketability of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY CHANGES IN THE STATUTES, PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR PROPOSALS FOR CHANGE ON THE TAX AND MARKET IMPLICATIONS OF OWNERSHIP OF THE BONDS.

MUNICIPAL BANKRUPTCY

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

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

Bowman & Company LLP has participated in the compilation of information of this Official Statement on behalf of the Board, but has not independently verified the accuracy, completeness or fairness thereof and, accordingly, takes no responsibility and express no opinion with respect thereto.

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

FINANCIAL ADVISOR

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

RATINGS

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

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

SECONDARY MARKET DISCLOSURE

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

(a) On or prior to February 1 of each year, beginning February 1, 2014, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board and certain financial information and operating data consisting of (1) Board and overlapping indebtedness including a schedule of outstanding debt issued by the Board; (2) the Board's most current adopted budget; (3) property valuation information; and (4) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

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

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

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

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

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

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

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

The Board had no prior obligation to make Secondary Market Disclosure filings.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Amy Capriotti, Business Administrator/Board Secretary at (856) 931-6298.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

**THE BOARD OF EDUCATION OF THE BOROUGH
OF BELLMAWR IN THE COUNTY OF CAMDEN,
NEW JERSEY**

By: _____
Amy Capriotti, CPA
Business Administrator/Board Secretary

APPENDIX A

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

INFORMATION ON THE SCHOOL DISTRICT ⁽¹⁾

History and Education

As a Type II District, the Board of Education of the Borough of Bellmawr School District functions independently through the Board, a seven member body, elected by the voters for alternate three year terms.

The Borough's public school system has a total of two elementary schools and one middle school. Some special education students are transported to other special needs districts. The Borough high school students attend Black Horse Pike Regional High School along with students from the Borough of Runnemede and the Township of Gloucester.

Local School District School Enrollments ⁽¹⁾

<u>Grade</u>	<u>2012</u>	<u>2011</u>	<u>October 15, 2010</u>	<u>2009</u>	<u>2008</u>
PK	70	73	85	81	78
K	120	120	123	117	91
1	122	115	116	87	117
2	118	110	82	110	108
3	110	82	102	103	97
4	82	106	101	85	89
5	97	103	84	86	127
6	101	90	80	126	99
7	86	81	135	104	99
8	83	126	112	105	108
Sp. Ed.	<u>125</u>	<u>129</u>	<u>126</u>	<u>115</u>	<u>125</u>
Totals	<u>1,114</u>	<u>1,135</u>	<u>1,146</u>	<u>1,119</u>	<u>1,138</u>

Present School Facilities, Enrollment and Capacity ⁽¹⁾

<u>Facility</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Grades</u>	<u>Enrollment 10/15/12</u>	<u>Functional Capacity</u>
Ethel M. Burke	1889	1956	Pre-K-4	303	451
Bellmawr Park	1943	1953	Pre-K-4	376	762
Bell Oaks	1969	1971	5-8	434	1,057

Local Budget History ⁽¹⁾

<u>Budget Year</u>	<u>Outcome of Election</u>	<u>Amount of Current Expense</u>
2012-2013	⁽²⁾	\$13,356,990
2011-2012	Defeated	\$12,709,219
2010-2011	Defeated	\$12,228,611
2009-2010	Defeated	\$12,508,007
2008-2009	Defeated	\$11,810,977

⁽¹⁾ Source: Local School District Officials.

⁽²⁾ Current Expense Levy was within the 2.0% State CAP, therefore an election was not required.

Local School District Employees

	<u>2012</u>	<u>2011</u>	As of June 30, <u>2010</u>	<u>2009</u>	<u>2008</u>
Permanent Employees	<u>116</u>	<u>113</u>	<u>111</u>	<u>113</u>	<u>112</u>

Employee Collective Bargaining Units ⁽¹⁾

Bellmawr teachers, nurses, media specialists, child study team members, guidance counselors, paraprofessionals, administrative assistants, and custodians are members of the Bellmawr Education Association “BEA”. The current contract is in effect until June 30, 2013.

Compensated Absences

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

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to three personal days which if unused shall automatically convert to cumulative sick leave days in the next contract year. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget.

Pension Plans

Those School District employees who are eligible for pension coverage are enrolled in one of three pension systems established for school districts by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State.

Black Horse Pike Regional High School Enrollments ⁽²⁾

<u>Grade</u>	<u>2012</u>	<u>2011</u>	Oct. 15, <u>2010</u>	<u>2009</u>	<u>2008</u>
9	119	121	136	118	118
10	112	118	123	107	109
11	108	121	117	101	104
12	119	97	97	90	84
Special Education	<u>52</u>	<u>59</u>	<u>56</u>	<u>51</u>	<u>49</u>
Totals	<u>510</u>	<u>516</u>	<u>529</u>	<u>467</u>	<u>464</u>

⁽¹⁾ Source: Local School District Officials.

⁽²⁾ Source: Black Horse Pike Regional High School Officials.

⁽³⁾ Bellmawr Borough Students Only.

HIGHER EDUCATION FACILITIES

Rutgers University-Camden Campus

Rutgers University-Camden ("Rutgers"), is a comprehensive, publicly-supported, co-educational four-year institution accredited by the Middle States Association of Colleges and Secondary Schools and funded primarily by the State, was founded in 1950 on a 23.8 acre campus in the City of Camden. As of the Fall 2012, there were approximately 4,708 undergraduate students and 1,831 graduate students.

The New Jersey State Legislature is considering legislation to further reorganize all or portions of the New Jersey State University System, which may include Rowan University, Rowan Medical School and Rutgers University. Such legislation is in a formative stage and no assurances can be made as to when, or if, such legislation would be approved or what effect such legislation would have on the above referenced Universities.

Camden County College

Fully accredited by the Middle States Association of Colleges and Secondary Schools, Camden County College ("College") is a comprehensive publicly supported, co-educational two-year institution developed under the State Department of Higher Education. It is funded in part by the County Board of Chosen Freeholders who appoint an eleven (11) member Board of Trustees. The College has three distinct campuses in Blackwood, Camden and Cherry Hill – along with its satellite locations in Lakeland, Sicklerville and elsewhere throughout the County.

As of the Fall of 2012, full time enrollment was 7,211 and part-time enrollment was 6,596 for a total of 13,807.

Camden County Technical Schools

From a vocational school that opened with 400 students in 12 trade areas in 1928, Camden County Technical Schools ("CCTS") has grown to be one of the largest and most comprehensive technical schools in the nation. The district today encompasses a full range of day and evening programs at campuses in Pennsauken and Gloucester Township. Beginning in 2012, the adult programs were operated by Camden County College as part of the Camden County shared services agreement.

For high school students, there are 35 career programs from which to choose. For the 2012-2013 school year, 772 students are enrolled at the Gloucester Township Campus, and 757 at the Pennsauken Campus, and 629 Special Education Students. Seniors are offered the opportunity to participate in several of our school-to-career programs and are offered lifetime job placement assistance. In addition, students are offered a full-range of athletics and activities to complement their education. Through our 21st Century program, students are able to earn college-transferable credits while still in high school. After graduation, students may enter the workforce or continue their education at the post-secondary level.

In addition to the facilities mentioned above, The Richard Stockton College of New Jersey, University of Pennsylvania, Temple University, LaSalle University, Villanova University, St. Joseph's University, Drexel University and Rowan University are all within a commuting distance from the Borough.

(1) Source: School District officials

**BELLMAWR BOROUGH SCHOOL DISTRICT
SCHOOL DISTRICT BUDGETS**

	<u>2012-13(a)</u>	<u>2011-12(b)</u>
Revenues:		
General Fund:		
Fund Balance	\$ 556,800	\$ 458,395
State Aid	4,933,436	4,447,079
Federal Aid	18,122	177,876
Local District School Taxes	7,727,386	7,575,869
Tuition	98,918	
Unrestricted Miscellaneous	22,328	50,000
Adjustment for Prior Year Encumbrances		198,596
	<hr/>	<hr/>
Total General Fund	13,356,990	12,907,815
	<hr/>	<hr/>
Special Revenue Fund:		
State Sources	386,872	431,004
Federal Sources	466,033	548,271
	<hr/>	<hr/>
Total Special Revenue Fund	852,905	979,275
	<hr/>	<hr/>
Debt Service Fund:		
Local District School Taxes	209,112	213,030
State Sources	20,646	21,618
	<hr/>	<hr/>
Total Debt Service Fund	229,758	234,648
	<hr/>	<hr/>
Total Revenues	<u>\$ 14,439,653</u>	<u>\$ 14,121,738</u>
	<hr/>	<hr/>
Appropriations:		
General Fund:		
Current Expense:		
Regular Programs--Instruction	\$ 4,326,789	\$ 4,379,147
Special Education--Instruction	1,492,756	1,434,404
Bilingual Education--Instruction	141,438	113,752
School-Spon. Concurrucular Activities--Instruction	66,955	66,955
School Sponsored Athletics--Instruction	32,001	32,001
Undistributed Expenditures:		
Tuition	1,092,000	817,159
Attendance and Social Work Services	60,000	16,500
Health Services	230,689	233,062
Speech, OT, PT, Related & Extraordinary Services	359,666	241,254
Child Study Teams	426,831	421,941
Improvement of Instructional Services	206,358	204,848

(a) As originally adopted by the Board of Education.

(b) Final revised budget.

**BELLMAWR BOROUGH SCHOOL DISTRICT
SCHOOL DISTRICT BUDGETS**

	<u>2012-13(a)</u>	<u>2011-12(b)</u>
Appropriations (Cont'd):		
General Fund (Cont'd):		
Undistributed Expenditures (Cont'd):		
Educational Media Services--School Library	\$ 212,264	\$ 211,550
General Administration	299,711	382,962
School Administration	422,410	396,189
Central Services and Admin Info Technology	238,823	215,698
Operation and Maintenance of Plant Services	856,981	1,005,409
Student Transportation Services	362,500	382,738
Personal Services-Employee Benefits	2,209,246	2,003,884
Food Services	<u>100</u>	<u>100</u>
 Total Current Expense	 <u>13,037,418</u>	 <u>12,559,553</u>
 Capital Outlay:		
Increase in Capital Reserve		
Interest Deposit to Capital Reserve		
Equipment	147,251	315,451
Facilities, Acquisition and Construction Services	<u>164,993</u>	<u>32,811</u>
 Total Capital Outlay	 <u>312,244</u>	 <u>348,262</u>
 Transfer of Funds to Charter Schools	 <u>7,328</u>	 <u>-</u>
 Total General Fund	 <u>13,356,990</u>	 <u>12,907,815</u>
 Special Revenue Funds:		
Federal and State Projects	<u>852,905</u>	<u>979,275</u>
 Total Special Revenue Fund	 <u>852,905</u>	 <u>979,275</u>
 Debt Service Fund:	 <u>420,512</u>	 <u>423,912</u>
 Total Debt Service Funds	 <u>229,758</u>	 <u>234,648</u>
 Total Appropriations	 <u><u>\$ 14,439,653</u></u>	 <u><u>\$14,121,738</u></u>

(a) As originally adopted by the Board of Education.

(b) Final revised budget.

BOROUGH OF BELLMAWR SCHOOL DISTRICT
HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (1)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues					
Tax levy	\$ 7,788,899.00	\$ 7,788,899.00	\$ 7,535,102.00	\$ 7,273,660.00	\$ 6,930,487.00
Interest on Capital Reserve Funds					
Interest on Investments	10,921.54	3,284.25	10,348.12	12,832.17	45,884.13
Miscellaneous	43,648.29	97,897.96	8,281.15	74,717.78	10,417.99
Local Sources - Restricted			25,000.00	16,105.00	14,254.00
State sources	6,186,192.63	6,285,247.49	5,470,928.87	5,887,287.96	5,937,892.96
Federal sources	901,242.30	775,180.89	1,556,087.98	567,099.41	508,954.93
Total Revenue	<u>14,930,903.76</u>	<u>14,950,509.59</u>	<u>14,605,748.12</u>	<u>13,831,702.32</u>	<u>13,447,891.01</u>
Expenditures					
Instruction					
Regular Instruction	5,046,949.91	5,105,628.36	5,253,576.86	4,881,058.89	4,712,326.12
Special Education Instruction	1,378,011.33	1,326,955.97	1,330,485.79	1,268,916.31	1,042,056.45
Other Special Instruction	116,783.75	76,190.14	104,993.73	115,408.05	65,999.94
Other Instruction	74,704.42	73,067.43	69,815.47	70,512.59	69,097.18
Support Services:					
Tuition	605,678.16	616,387.21	636,621.00	749,854.53	917,190.22
Student and Instruction Related Services	1,438,464.14	1,443,024.44	1,559,028.65	1,335,951.13	1,300,375.30
School administrative services	411,323.13	403,443.86	452,102.46	485,754.66	301,597.21
Other Admin Services	527,876.83	547,896.42	511,730.20	546,158.40	614,198.82
Plant operations and maintenance	765,401.41	882,727.90	900,295.12	940,141.50	769,077.90
Pupil transportation	261,704.72	218,748.96	273,369.34	343,684.74	428,241.75
Business and Other Support Services					
Unallocated benefits	3,048,964.44	2,741,012.04	2,780,023.00	2,466,661.29	3,084,676.40
Special Schools					
Capital outlay	585,144.58	790,382.25	221,265.21	294,679.08	70,307.65
Transfer to Charter School					
Debt service:					
Principal	205,000.00	190,000.00	190,000.00	170,000.00	170,000.00
Interest and other charges	29,646.77	38,878.02	47,558.02	55,230.52	62,353.02
Total Expenditures	<u>14,495,653.59</u>	<u>14,454,343.00</u>	<u>14,330,864.85</u>	<u>13,724,011.69</u>	<u>13,607,497.96</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	435,250.17	496,166.59	274,883.27	107,690.63	(159,606.95)
Other Financing Sources (Uses)					
Budgeted Increase in Capital Reserve	(767,297.03)	(400,000.00)			
Increase in Capital Reserve	767,297.03	400,000.00			
Bond Proceeds					
Prior Year Bills	(51,985.03)				
Accrued Interest					
Canceled Receivables		(15,199.00)			
Transfers In				81,115.00	372,284.00
Transfers Out				(81,115.00)	(372,284.00)
Total Other Financing Sources (Uses)	<u>(51,985.03)</u>	<u>(15,199.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 383,265.14</u>	<u>\$ 480,967.59</u>	<u>\$ 274,883.27</u>	<u>\$ 107,690.63</u>	<u>\$ (159,606.95)</u>
Fund Balances, July 1	<u>1,464,632.14</u>	<u>983,664.55</u>	<u>708,781.28</u>	<u>601,090.65</u>	<u>760,697.60</u>
Fund Balances, June 30	<u>\$ 1,847,897.28</u>	<u>\$ 1,464,632.14</u>	<u>\$ 983,664.55</u>	<u>\$ 708,781.28</u>	<u>\$ 601,090.65</u>

Source: School District Reports of Audit

BELLMAWR BOROUGH SCHOOL DISTRICT
HISTORICAL REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES(1)

	Fiscal Year Ended June 30,				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:					
Charges for Services:					
Food Service Sales	\$ 146,791	\$ 150,319	\$ 158,349	\$ 164,670	\$ 164,701
Rebates	537	419	300		
Other School District	84,144	81,619	91,779		
Special Functions	4,068	11,423	2,375	928	3,621
Total Operating Revenues	<u>235,540</u>	<u>243,779</u>	<u>252,803</u>	<u>165,598</u>	<u>168,322</u>
OPERATING EXPENSES:					
Cost of Sales	194,996	202,999	228,027	174,264	174,547
Salaries	152,979	136,512	157,740	130,032	136,526
Employee Benefits	31,726	28,368	28,448	19,357	19,840
Purchased Professional Services		19,660	19,660	18,375	14,000
Other Purchased Services	37,690	11,273	7,303	2,059	23,914
Supplies and Materials	23,812	36,591	17,084	26,563	2,011
Depreciation	8,595	6,787	1,665	1,065	1,239
Miscellaneous		2,611	8,030	7,186	7,005
Total Operating Expenses	<u>449,798</u>	<u>444,802</u>	<u>467,958</u>	<u>378,900</u>	<u>379,082</u>
Operating Income (Loss)	<u>(214,258)</u>	<u>(201,023)</u>	<u>(215,155)</u>	<u>(213,302)</u>	<u>(210,759)</u>
NONOPERATING REVENUES:					
State Sources:					
State School Breakfast and Lunch Program	5,605	5,418	9,045	8,845	9,102
Federal Sources:					
National School Breakfast and Lunch Program	206,699	201,500	186,401	172,060	163,630
Special Milk Program	361	149	149	13	
Food Distribution Program	25,571	20,144	44,061	26,572	25,955
Interest	432	199	348	832	2,039
Total Nonoperating Revenues	<u>238,668</u>	<u>227,410</u>	<u>240,003</u>	<u>208,321</u>	<u>200,726</u>
Change in Net Assets	<u>24,411</u>	<u>26,387</u>	<u>24,848</u>	<u>(4,981)</u>	<u>(10,034)</u>
Total Net Assets - July 1	<u>119,974</u>	<u>93,587</u>	<u>68,739</u>	<u>73,720</u>	<u>83,753</u>
Total Net Assets - June 30	<u>\$ 144,384</u>	<u>\$ 119,974</u>	<u>\$ 93,587</u>	<u>\$ 68,739</u>	<u>\$ 73,720</u>

(1) Source: School District Reports of Audit

**LOCAL SCHOOL DISTRICT
SCHEDULE OF DEBT SERVICE
(BONDED DEBT ONLY)**

Fiscal Year <u>July 1 to June 30</u>	<u>Existing Debt(1)</u>			<u>2013 School Bonds</u>			Grand <u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2012-2013	\$ 155,000	\$ 8,552	\$ 163,552				
2013-2014	155,000	11,174	166,174				
2014-2015	70,000	3,978	73,978	\$ 105,000			
2015-2016	67,898	1,324	69,222	135,000			
2016-2017				140,000			
2017-2018				140,000			
2018-2019				140,000			
2019-2020				145,000			
2020-2021				150,000			
2021-2022				150,000			
2022-2023				155,000			
2023-2024				160,000			
2024-2025				165,000			
2025-2026				170,000			
2026-2027				175,000			
2027-2028				180,000			
2028-2029				185,000			
2029-2030				190,000			
2030-2031				195,000			
2031-2032				205,000			
2032-2033				208,000			
	<u>\$ 447,898</u>	<u>\$ 25,028</u>	<u>\$ 472,926</u>	<u>\$ 3,093,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) As of December 31, 2012

GENERAL INFORMATION ON THE BOROUGH

History

The Borough was incorporated in 1926 by virtue of an act of the Legislature of the State of New Jersey.

Essentially a residential community, the Borough covers approximately 3.7 square miles. The majority of residents are employed in the Camden County and Philadelphia metropolitan area. Main roadways in the Borough provide convenient access to the New Jersey Turnpike, Interstate 295 and U.S. Routes 42, 130 and 168. Public transportation is available and the Borough also provides a free Shuttle Bus service to its residents.

The Borough of Bellmawr operates under a Mayor-Council form of government. The Mayor is chief executive officer of the Borough and is elected by general election for a four year term. The Council is the legislative body of the Borough and consists of six members elected by popular vote to three year terms.

Library

The Borough of Bellmawr entered into a interlocal service agreement with the County of Camden to allocate certain municipal property as a site for a new regional County Liberty and to locate on such site, and in the same building as the library, a Borough Health Clinic.

Public Safety

The Borough is served by a paid police department, which consists of the Police Chief, (1) Captain (1) Sergeants, five (5) Lieutenant (1) corporals, four (4) patrolmen, nine (9).

The Borough has two volunteer fire companies. The Bellmawr Park Volunteer Fire Company, whose membership exceeds 60 and Fire Company No. 1, whose membership exceeds 70. Within the past five years, the Borough has purchased Miscellaneous Equipment and Fire Turnout Gear

Bellmawr Ambulance Service is a paid service available for those who require emergency medical care. Within the past year, the ambulance company has purchased one Ford E-450 Remount on emergency medical vehicle and various equipment. The Bellmawr ambulance company obtained a first mortgage loan of \$80,000.00 for the building on July 22, 1991. The loan is secured by an unconditional guarantee as to payment by the Borough. The balance as of December 31, 2012 is \$18,827.87

Sewer Utility

Effective January 1, 1991, the Borough dissolved the Bellmawr Sewerage Authority pursuant to the procedures outlined in N.J. 40:14B-13 and created a sewer utility department within the Borough.

Effective March 1, 1991, the Borough was connected to the Camden County Municipal Utilities Authority ("CCMUA"). The Borough appropriated \$130,000.00 in the 1992 Budget for the demolition of the sewer plant. As a result of being connected to the CCMUA, there has been a substantial decrease in the Borough's sewer utility operating budget expenses.

The annual Borough residential sewer bill was decreased by 38% from \$100.00 a year in 1991 to \$62.00 a year in 1992. This amount remains the same for 2013. The Borough residents also pay an annual fee of \$331.00 payable in four (4) quarterly installments of \$82.75 to the CCMUA. Commercial users are assessed based on the number of employees, therefore, the amount assessed varies per each business.

Improvements recently authorized during 2013 include removal and replacement of sanitary sewer mains and appurtenances.

Water Utility

The Water Department is owned and operated by the Borough, and supplies water to approximately 2,203 of the Borough's 3,778 dwellings. The New Jersey American Water Company provides water service to all other residents located on the eastern side of railroad tracks within the Borough.

The Water Department facilities include the following:

- (1) Two (2) Water Treatment plants. One is located at Warren Avenue and the second plant is at Leaf/Bell Roads.
- (2) One (1) 200,000 gallon water storage tank located at Warren Avenue and one (1) 500,000 gallon water storage tank located at Leaf/Bell Roads.
- (3) Six (6) Water Wells as follows:
 - (1) Well #1 is used for testing purposes only by the United States (U.S.) Department of the Interior-Geological Survey.
 - (2) Well #2 is capped due to being shallow.
 - (3) Well #3 is located at Warren Avenue treatment plant.
 - (4) Well #4 is located at Leaf/Bell Roads treatment plant.
 - (5) Well #5 is located at Leaf/Bell Roads treatment plant.
 - (6) Well #6 is located at Warren Avenue treatment plant.

Previous improvements to the water system have included the following:

- (1) A new aeration system which takes hydrogen and carbon dioxide out of the water has been added at the Leaf/Bell roads water treatment plant.
- (2) The treatment of the water has been upgraded at the Leaf/Bell plant by changing the media (mixture of materials in the filter).
- (3) Approximately 95% of the dead end water mains have been eliminated through the extension of mains and the installation of valves.
- (4) Redevelopment of Well #3
- (5) Installation of new meters with outside readouts for residential, industrial and commercial customers

Improvements recently authorized during 2013 include various improvements to the Warren Ave and Bell Road Water Treatment Plants including removal and replacement of existing back wash tanks and acquisition of emergency generators.

Water rates are based on the size of the water meter and the water usage along with a minimum quarterly charge for industrial and all other users. Water rates were raised by 5% effective April, 2011, 5% effective July, 2012, on excess usage above the minimum.

Site Remediation

Over the course of the past 8 years the Borough of Bellmawr along with a developer has been transforming the old landfills and the compost center into a model Brownfield's redevelopment project. The site is in the process of being capped for redevelopment and the Borough of Bellmawr has received a grant from the State of New Jersey through the Hazardous Discharge Site Remediation (HDSRF) in the amount of \$6,158,452.62. The Borough has contributed \$5.8 million to remediate the site and install a new culvert to replace the broken water piping system. Once the remediation is complete the site will create new construction, new jobs and new tax revenue for Bellmawr.

Borough Employees

	As of December 31,				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Full-time	102	120	127	120	120
Part--time	<u>78</u>	<u>118</u>	<u>182</u>	<u>121</u>	<u>149</u>
Total	<u>180</u>	<u>238</u>	<u>309</u>	<u>241</u>	<u>269</u>

Borough Population

2010 Federal Census	11,583
2000 Federal Census	11,262
1990 Federal Census	12,603
1980 Federal Census	13,721

Selected Census 2011 Data ⁽¹⁾

Median household income	\$56,390
Median family income	\$69,113
Per capita income	\$26,184

Labor Force ⁽²⁾

The following table discloses current labor force data for the Borough, County and State.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Borough					
Labor Force	6,232	6,195	6,261	6,310	6,247
Employment	5,667	5,640	5,679	5,775	5,929
Unemployment	565	554	582	535	318
Unemployment Rate	9.1%	8.9%	9.3%	8.5%	5.1%
County					
Labor Force	267,608	266,321	268,875	271,085	267,478
Employment	239,292	238,170	239,809	244,475	251,296
Unemployment	28,316	28,151	29,066	26,610	16,182
Unemployment Rate	10.6%	10.6%	10.8%	9.8%	6.0%
State					
Labor Force	4,556,200	4,502,449	4,536,700	4,496,700	4,466,300
Employment	4,131,800	4,076,713	4,118,400	4,251,200	4,276,600
Unemployment	424,400	425,736	418,300	245,500	189,700
Unemployment Rate	9.3%	9.5%	9.2%	5.5%	4.2%

⁽¹⁾ Source: U.S. Department of Commerce, Bureau of Census.

⁽²⁾ Source: New Jersey Department of Labor.

Business and Industry ⁽¹⁾

Approximately 65 business and industry establishments are encompassed in a 242 acre industrial park complex, known as Interstate Business Park, within the Borough. This business park was first developed in 1966 by the Korman Company. The Korman Company is managing agent for Interstate Holding Corporation which owns twenty (20) buildings comprising 976,600 square feet of space. This space is leased to various businesses and presently there is a vacancy rate of 4% comprising 42,435 square feet of space. The remaining sixteen (16) buildings comprising 1,700,000 square feet of space are owned by various companies with the last building construction completed during the late 1970's for Consolidated Freightways. Included in these 16 buildings is approximately 300,000 square feet of space owned by the United States Postal Service which is tax exempt. The thirty six (36) buildings in the park are identified by a building numbering system, the highest numbers representing the newest buildings. Warehousing and distribution comprises the majority of the industries within the park. These are also come manufacturing industries which comprise mainly of paper related industries (cardboard, printing, books).

Building, Zoning and Development Codes ⁽¹⁾

The Borough has established development regulations governing the size of lots for various types of construction. The land requirements are based on the type and nature of the building.

The Borough building codes conform to standards of the Uniform Construction Code of New Jersey. These codes and other municipal codes are codified as a basis for improved administration and regulation.

The Borough adopted the Municipal Land Use Law on July 10, 1979. The Municipal Land Use Law gave the Borough Zoning Board of Adjustment authority to regulate most land use other than family residential use. In this way, the Borough is able to guide the approximate use or development of land to promote the public health, safety, morals and general welfare.

Building Permits ⁽²⁾

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2013 ⁽³⁾	226	\$62,863.00
2012	419	110,213.00
2011	427	107,656.00
2010	364	116,835.24
2009	Not Available	Not Available
2008	Not Available	Not Available

⁽¹⁾ Source: Borough officials.

⁽²⁾ Source: Borough Construction Office.

⁽³⁾ As of May 15, 2013

MAJOR PRIVATE SECTOR EMPLOYERS IN THE COUNTY(1)

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Full-time Positions Within the County</u>
Cooper University Health System	Hospital	6,000
Virtua Health System	Multi-hospital Healthcare System	4,000
United Parcel Service	Shipper of Packages	2,500
Our Lady of Lourdes Health System	Health Care System	2,300
Campbell Soup Company	Prepared Food Products	2,000
Bancroft NeuroHealth	Education, Rehabilitation & Treatment Services	1,950
Kennedy Health System	Hospitals/Ambulatory Facilities	1,500
Aluminum Shapes	Aluminum Extrusions	1,300
L-3 Communication Systems-East	Communication Systems and Support Equip.	1,200

CERTAIN TAX INFORMATION

TEN LARGEST REAL PROPERTY TAXPAYERS(2)

<u>Name</u>	<u>Type of Business</u>	<u>2013 Assessed Value</u>
Mutual Housing Corp	Apartments	\$27,721,100
The Korman Co.	Leasing Office Space	20,922,900
East Coast Hyde Park Apts. LLC	Apartments	12,500,000
Interstate Holding Corp	Leasing Office Space	11,735,400
South Penn Wessex Mgt LLC	Apartments	8,500,000
International Paper Company	Manufacture Cardboard Boxes and Containers	7,104,200
Houghton Mifflin Harcourt Publishing	Textbook Publishers/Warehouse	6,250,000
J&J Snack Foods Corp of N.J.	Snack Food Distributor	4,873,700
Spruce Manor Enterprises LLC	Apartments	4,687,500
Walgreens Tax/Barnard Co	Pharmacy	4,548,300

CURRENT TAX COLLECTIONS(3)

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2012(4)	\$26,743,143	\$26,196,123	97.95%	\$483,118	1.81%
2011	25,857,180	25,084,299	97.01	581,937	2.25
2010	24,933,991	24,397,830	97.84	504,543	2.02
2009	23,603,781	23,090,173	97.82	368,527	1.56
2008	23,324,768	23,000,795	98.61	297,877	1.28

(1) Source: The Camden County Improvement Authority and Choose NJ (2012).

(2) Source: Borough Tax Assessor

(3) Source: Annual Reports of Audit, unless otherwise noted.

(4) Information from Annual Compiled Financial Statement.

DELINQUENT TAXES(2)

<u>Year</u>	<u>Outstanding Jan. 1</u>	<u>Added</u>	<u>Collected</u> <u>Amount</u>	<u>Percentage</u>	<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
2012(2)	\$584,193	\$5,170	\$563,042	95.53%	---	\$18,895	\$7,426
2011	509,671	4,667	509,594	99.08	---	2,488	2,256
2010	375,303	2,250	363,054	96.16	\$7,806	1,565	5,128
2009	304,225	2,750	300,198	97.79	---	---	6,776
2008	352,667	5,000	351,320	98.23	---	---	6,347

TAX TITLE LIENS(1)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added by Sales and Transfers</u>	<u>Collected</u>	<u>Adjustment</u>	<u>Balance Dec. 31</u>
2012(2)	\$62,485	\$4,374	---	---	\$66,859
2011	57,703	4,067	---	(\$715)	62,485
2010	51,030	12,118	\$5,445	---	57,703
2009	50,518	512	---	---	51,030
2008	50,069	449	---	---	50,518

FORECLOSED PROPERTY (1)(3)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added by Transfers</u>	<u>Sale of Property</u>	<u>Adjustment to Assessed Valuation</u>	<u>Balance Dec. 31</u>
2012(2)	---	---	---	---	---
2011	---	---	---	---	---
2010	---	---	---	---	---
2009	---	---	---	---	---
2008	---	---	---	---	---

WATER UTILITY COLLECTIONS(1)

<u>Year</u>	<u>Beginning Balance</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u> <u>Amount</u>	<u>Percentage</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u> <u>Amount</u>	<u>Percentage</u>
2012(2)	\$101,021	\$1,138,727	\$1,137,907	91.79%	---	\$101,286	8.17%
2011	79,701	1,076,920	1,055,600	91.27	---	101,021	8.73
2010	61,392	1,069,708	1,050,877	92.91	\$521	79,701	7.05
2009	70,352	1,010,794	1,019,595	94.31	159	61,392	5.68
2008	56,867	1,003,593	989,988	93.35	120	70,352	6.63

(1) Source: Annual Reports of Audit, unless otherwise noted.

(2) Information from Annual Compiled Financial Statement.

(3) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES(1)

Tax Rate (2)

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Total</u>	<u>County</u>	<u>Local School</u>	<u>Regional High School</u>	<u>Municipal</u>
2013	\$814,170,107	---	---	---	---	---
2012	824,793,374	\$3.252	\$0.799	\$0.954	\$0.990	\$0.509
2011	833,743,359	3.095	0.734	0.932	0.938	0.491
2010	835,440,497	2.983	0.665	0.920	0.934	0.464
2009	843,012,214	2.733	0.563	0.879	0.858	0.433
2008	430,209,345	5.416	1.280	1.651	1.608	0.877

RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA(3)

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita</u>
2013	\$813,186,200	102.83%(4)	\$790,806,379	\$68,273(5)
2012	823,725,300	102.83	801,055,431	69,158(5)
2011	832,596,100	96.34	864,226,801	74,612(5)
2010	834,102,500	97.57	854,875,986	73,804(5)
2009	841,631,300	98.23	856,796,600	76,431(6)

REAL PROPERTY CLASSIFICATION(7)

<u>Year</u>	<u>Assessed Value Land and Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>
2013	\$813,186,200	\$8,622,900	\$577,200,200	\$74,489,900	\$94,217,500	\$58,655,700
2012	823,725,300	8,623,100	578,828,500	78,980,400	91,645,100	65,648,200
2011	832,596,100	8,763,100	578,671,900	80,294,900	99,163,600	65,702,600
2010	834,102,500	8,439,300	577,285,300	83,073,000	99,602,300	65,702,600
2009	841,631,300	8,672,800	576,086,300	84,801,500	106,056,000	66,014,700

(1) Source: Borough Tax Collector

(2) Per \$100 of assessed valuation

(3) Source: State of New Jersey, Department of Treasury, Division of Taxation

(4) Estimate based on prior year percentage

(5) Based on Federal Census 2010 of 11,583

(6) Based on Estimated Census 2009 of 11,210

(7) Source: Borough Tax Assessor

**BOROUGH OF BELLMAWR
STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2012**

The following table summarizes the direct debt of the Borough of Bellmawr as of December 31, 2012 in accordance with the requirements of the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-2- et.seq.). The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Water Utility and debt of the Local and Regional School Districts. Deductions from gross debt to arrive at net debt include school debt, as well as, debt considered to be self-liquidating. The resulting net debt of \$12,472,808 represents 1.48% of the average of equalized valuations for the Borough for the last three years, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued		Debt Auth. But Not Issued	Gross Debt	Deductions		Net Debt
	Bonds	Loans			School Debt	Self-Liquidating Debt	
General(1)	\$350,000	\$8,793,909	\$2,593,211	\$12,472,808			\$12,472,808
School Regional (2)(3)	3,074,726			3,074,726	\$3,074,726		
School - Local(2)	447,898			447,898	447,898		
Water(1)		234,725	107,000	341,725		\$341,725	
	<u>\$3,872,624</u>	<u>\$9,028,633</u>	<u>\$2,700,211</u>	<u>\$16,337,157</u>	<u>\$3,522,624</u>	<u>\$341,725</u>	<u>\$12,472,808</u>

- (1) Source: Annual Report of Audit
(2) Source: Comprehensive Annual Financial Report
(3) Allocated based on percentage of average equalized valuations

DEBT RATIOS AND VALUATIONS(1)(2)

Average of Equalized Valuations of Real Property with Improvements for 2010, 2011 and 2012	\$840,052,739
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2010, 2011 and 2012	1.48%
2013 Net Valuation Taxable	\$814,170,107
2013 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$791,790,286
Gross Debt (3):	
As a percentage of 2013 Net Valuation Taxable	2.01%
As a percentage of 2013 Equalized Valuations	2.06%
Net Debt (3):	
As a percentage of 2013 Net Valuation Taxable	1.53%
As a percentage of 2013 Equalized Valuations	1.58%
Gross Debt Per Capita (4)	\$1,410
Net Debt Per Capita (4)	\$1,077

BOROUGH BORROWING CAPACITY(1)(2)

3.5% of Averaged (2010-12) Equalized Valuation of Real Property including Improvements (\$840,052,739)	\$29,401,846
Net Debt	<u>12,472,808</u>
Remaining Borrowing Capacity	<u><u>\$16,929,038</u></u>

SCHOOL DISTRICT BORROWING CAPACITY(1)(2)

3% of Averaged (2010-12) Equalized Valuation of Real Property including Improvements (\$840,052,739)	\$25,201,582
Local School Debt	<u>447,898</u>
Remaining Borrowing Capacity	<u><u>\$24,753,684</u></u>

(1) As of December 31, 2012

(2) Source: Borough Auditor

(3) Excluding overlapping debt

(4) Based on 2010 Federal Census of 11,583

**BOROUGH OF BELLMAWR
OVERLAPPING DEBT AS OF DECEMBER 31, 2012**

DEBT ISSUED						
	<u>Debt Outstanding</u>	<u>Deductions</u>		<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	<u>Debt Auth. but not Issued</u>
County of Camden(1):						
General:						
Bonds	\$ 44,081,645	\$ 10,684,251	(2)	\$ 33,397,394	\$ 721,384 (4)	\$ 16,704,000
Loan Agreements	147,285,000			147,285,000	3,181,356 (4)	
Bonds Issued by Other Public Bodies Guaranteed by the County	681,777,740	681,777,740	(3)			
	<u>\$ 873,144,385</u>	<u>\$ 692,461,991</u>		<u>\$ 180,682,394</u>	<u>\$ 3,902,740</u>	<u>\$ 16,704,000</u>

(1) Source: County of Camden

(2) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds.

(3) Deductible in accordance with N.J.S. 40:37A-80.

(4) Such debt is allocated as a proportion of the Issuer's share of the total 2012 Net Valuation on which County taxes are apportioned, which is 2.16%.

APPENDIX B

Financial Statements of The Board of Education of the Borough of Bellmawr in the County of Camden, New Jersey

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Bellmawr School District
Bellmawr, New Jersey 08031

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Bellmawr School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Bellmawr School 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; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Bellmawr School District in the County of Camden, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Bellmawr School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, includes certain supplementary information, including the required budgetary comparisons and management's discussion and analysis, that is not included with this presentation of the basic financial statements.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ John F. Dailey, Jr.
Certified Public Accountant
Public School Accountant No. CS 00140

Voorhees, New Jersey
October 15, 2012

FISCAL YEAR 2012

BASIC FINANCIAL STATEMENTS

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 52,958.08		\$ 52,958.08
Interfund Accounts Receivable	10,687.78	\$ 44,001.48	54,689.26
Accounts Receivable (Note 4)	923,454.53	30,149.55	953,604.08
Inventory (Note 5)		14,757.15	14,757.15
Deferred Assets:			
Bond Issuance Costs	19,184.67		19,184.67
Restricted Assets:			
Restricted Cash and Cash Equivalents	1.23		1.23
Capital Reserve Cash	1,222,655.62		1,222,655.62
Capital Assets, net (Note 6)	<u>5,067,227.10</u>	<u>57,213.82</u>	<u>5,124,440.92</u>
Total Assets	<u>7,296,169.00</u>	<u>146,122.00</u>	<u>7,442,291.00</u>
LIABILITIES:			
Accounts Payable	183,308.31	1,737.57	185,045.88
Interfund Accounts Payable	44,001.48		44,001.48
Accrued Interest Payable	9,901.05		9,901.05
Deferred Revenue	134,550.19		134,550.19
Noncurrent Liabilities (Note 7):			
Due within One Year	305,366.67		305,366.67
Due beyond One Year	<u>1,153,419.65</u>		<u>1,153,419.65</u>
Total Liabilities	<u>1,830,547.35</u>	<u>1,737.57</u>	<u>1,832,284.92</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	4,629,329.10	57,213.82	4,686,542.92
Restricted for:			
Other Purposes			
Capital Projects	1,232,315.60		1,232,315.60
Debt Service	1.23		1.23
Unrestricted	<u>(396,024.27)</u>	<u>87,170.61</u>	<u>(308,853.66)</u>
Total Net Assets	<u>\$ 5,465,621.65</u>	<u>\$ 144,384.43</u>	<u>\$ 5,610,006.08</u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 4,998,761.37	\$ 900,988.81		\$ (4,097,772.56)		\$ (4,097,772.56)
Special Education	1,378,011.33			(1,378,011.33)		(1,378,011.33)
Other Special Instruction	116,783.75			(116,783.75)		(116,783.75)
Other Instruction	74,704.42			(74,704.42)		(74,704.42)
Support Services:						
Tuition	605,678.16			(605,678.16)		(605,678.16)
Student and Instruction Related Services	1,437,959.14	141,822.52	\$ 32,800.00	(1,263,336.62)		(1,263,336.62)
School Administrative Services	412,123.13			(412,123.13)		(412,123.13)
Other Administrative Services	571,091.68			(571,091.68)		(571,091.68)
Plant Operations and Maintenance	1,041,246.33	112,346.66		(928,899.67)		(928,899.67)
Pupil Transportation	261,704.72			(261,704.72)		(261,704.72)
Unallocated Benefits	3,048,964.44	1,233,175.85		(1,815,788.59)		(1,815,788.59)
Interest on Long-Term Debt	25,288.96	2,810.34		(22,478.62)		(22,478.62)
Amortization of Bond Issuance Costs	10,018.00			(10,018.00)		(10,018.00)
Total Governmental Activities	13,982,335.43	2,391,144.18	32,800.00	(11,558,391.25)	-	(11,558,391.25)
Business-Type Activities:						
Food Service	449,797.87	238,236.18			23,978.59	23,978.59
Total Business-Type Activities	449,797.87	238,236.18	-	-	23,978.59	23,978.59
Total Primary Government	\$ 14,432,133.30	\$ 2,629,380.36	32,800.00	(11,558,391.25)	23,978.59	(11,534,412.66)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				7,575,869.00		7,575,869.00
Taxes Levied for Debt Service				213,030.00		213,030.00
Federal and State Aid not Restricted				4,644,683.09		4,644,683.09
Federal and State Aid Restricted				18,807.66		18,807.66
Unrestricted Investment Earnings				10,921.54	432.01	11,353.55
Miscellaneous Income				43,648.29		43,648.29
Total General Revenues, Special Items, Extraordinary Items and Transfers				12,506,959.58	432.01	12,507,391.59
Change in Net Assets				948,568.33	24,410.60	972,978.93
Net Assets, July 1				4,517,053.32	119,973.83	4,637,027.15
Net Assets, June 30				\$ 5,465,621.65	\$ 144,384.43	\$ 5,610,006.08

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 52,958.08					\$ 52,958.31
Capital Reserve Cash	1,222,655.62			1.23		1,222,655.62
Interfunds Account Receivable:						
Special Revenue Fund	54,154.11					54,154.11
Capital Projects Fund	430,799.62					430,799.62
Enterprise Fund						
Trust and Agency Fund	10,687.78					10,687.78
Intergovernmental Accounts Receivable:						
State	186,810.81	\$ 268,321.43	\$ 440,459.60			627,270.41
Federal						268,321.43
Other	27,862.69					27,862.69
Total Assets	\$ 1,985,928.71	\$ 268,321.43	440,459.60	1.23	-	\$ 2,694,710.97
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 56,712.44	\$ 4,432.41				\$ 61,144.85
Intergovernmental Accounts Payable - Federal		122,163.46				122,163.46
Interfunds Account Payable:						
General Fund		54,154.11	\$ 430,799.62			484,953.73
Trust and Agency Fund						
Enterprise Fund	44,001.48					44,001.48
Deferred Revenue	3,878.34	130,671.85				134,550.19
Total Liabilities	104,592.26	311,421.83	430,799.62	-	-	846,813.71

(Continued)

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES AND FUND BALANCES (CONT'D):						
Fund Balances (Cont'd):						
Restricted:						
Capital Reserve	\$ 1,222,655.62					\$ 1,222,655.62
Capital Projects Fund		\$ 9,659.98				9,659.98
Debt Service Fund				\$ 1.23		1.23
Assigned:						
Subsequent Year's Expenditures	452,729.40					452,729.40
Other Purposes	205,951.43					205,951.43
Unassigned:						
General Fund		\$ (43,100.40)				(43,100.40)
Special Revenue Fund						-
Total Fund Balances	<u>1,881,336.45</u>	<u>(43,100.40)</u>	<u>9,659.98</u>	<u>1.23</u>	<u>-</u>	<u>1,847,897.26</u>
Total Liabilities and Fund Balances	<u>\$ 1,985,928.71</u>	<u>\$ 268,321.43</u>	<u>\$ 440,459.60</u>	<u>\$ 1.23</u>	<u>-</u>	

(Continued)

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2012

	Total Governmental Funds
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,552,327.82 and the accumulated depreciation is \$3,485,100.72.	\$ 5,067,227.10
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	19,184.67
Accrued interest payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(9,901.05)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(1,458,786.32)</u>
Net assets of governmental activities	<u>\$ 5,465,621.65</u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Local Tax Levy	\$ 7,575,869.00			\$ 213,030.00		\$ 7,788,899.00
Unrestricted Miscellaneous Revenues	54,569.83					54,569.83
Federal Sources	174,347.55	\$ 726,894.75				901,242.30
State Sources	5,727,346.05	437,228.58		21,618.00		6,186,192.63
Total Revenues	13,532,132.43	1,164,123.33	-	234,648.00	-	14,930,903.76
EXPENDITURES:						
Current:						
Regular Instruction	4,144,934.90	902,015.01				5,046,949.91
Special Education Instruction	1,378,011.33					1,378,011.33
Other Special Instruction	116,783.75					116,783.75
Other Instruction	74,704.42					74,704.42
Support Services and Undistributed Costs:						
Tuition	605,678.16					605,678.16
Student and Instruction Related Services	1,296,641.62	141,822.52				1,438,464.14
School Administrative Services	411,323.13					411,323.13
Other Administrative Services	527,876.83					527,876.83
Plant Operations and Maintenance	765,401.41					765,401.41
Pupil Transportation	261,704.72					261,704.72
Unallocated Benefits	1,868,635.59	88,512.00				1,957,147.59
TPAF Pension and Social Security	1,091,816.85					1,091,816.85
Debt Service:						
Principal				205,000.00		205,000.00
Interest and Other Charges				29,646.77		29,646.77
Capital Outlay	55,520.99	\$ 32,800.00	\$ 496,823.59			585,144.58
Total Expenditures	12,599,033.70	1,165,149.53	496,823.59	234,646.77	-	14,495,653.59
Excess (Deficiency) of Revenues over Expenditures	933,098.73	(1,026.20)	(496,823.59)	1.23	-	435,250.17

(Continued)

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Payment of Prior Year Expenditures	\$ (33,723.03)					\$ (33,723.03)
Transfer to Special Revenue Fund for Title I Recovery	(18,262.00)					(18,262.00)
Capital Reserve Transferred to Capital Projects Fund	(2,235.29)	\$	2,235.29			
Capital Outlay Transferred to Capital Reserve	(767,297.03)					(767,297.03)
Capital Reserve Transferred from Capital Outlay	767,297.03					767,297.03
Total Other Financing Sources and Uses	(54,220.32)	-	2,235.29	-	-	(51,985.03)
Net Change in Fund Balances	878,878.41	\$ (1,026.20)	(494,588.30)	\$ 1.23	-	\$ 383,265.14
Fund Balance, July 1	1,002,458.04	(42,074.20)	504,248.28			1,464,632.12
Fund Balance, June 30	\$ 1,881,336.45	\$ (43,100.40)	\$ 9,659.98	1.23	-	\$ 1,847,897.26

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ 383,265.14
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation expense	\$ (312,380.82)
Capital outlay expensed in accordance with District's policies	5,041.23
Other expenses capitalized in accordance with District's policies	(18,721.94)
Capital outlays	<u>585,144.58</u>
	259,083.05
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	205,000.00
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	(10,018.00)
Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.	4,357.81
In the statement of activities, certain operating expenses, (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	<u>106,880.33</u>
Change in Net Assets of Governmental Activities	<u>\$ 948,568.33</u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-Type Activities -- Enterprise <u>Fund</u>
ASSETS:	
Current Assets:	
Interfund Accounts Receivable	\$ 44,001.48
Accounts Receivable:	
Federal	8,632.17
State	196.71
Other	21,320.67
Inventories	<u>14,757.15</u>
Total Current Assets	<u>88,908.18</u>
Noncurrent Assets:	
Equipment	129,114.72
Less: Accumulated Depreciation	<u>(71,900.90)</u>
Total Noncurrent Assets	<u>57,213.82</u>
Total Assets	<u>146,122.00</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>1,737.57</u>
NET ASSETS:	
Invested in Capital Assets Net of Related Debt	57,213.82
Unrestricted	<u>87,170.61</u>
Total Net Assets	<u>\$ 144,384.43</u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities -- Enterprise <u>Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable and Non-Reimbursable Programs	136,418.49
Daily Sales - Vending	10,372.81
Rebates	537.32
Other School District	84,144.14
Special Functions	4,067.52
	<u>235,540.28</u>
Total Operating Revenues	<u>235,540.28</u>
OPERATING EXPENSES:	
Cost of Sales	194,996.25
Salaries	152,979.11
Employee Benefits	31,725.86
Other Purchased Services	37,689.96
Supplies and Materials	23,811.79
Depreciation	8,594.90
	<u>449,797.87</u>
Total Operating Expenses	<u>449,797.87</u>
Operating Income (Loss)	<u>(214,257.59)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	5,604.86
Federal Sources:	
National School Lunch Program	192,016.52
National School Breakfast Program	14,682.90
Special Milk Program	360.90
Food Distribution Program	25,571.00
Interest	432.01
	<u>238,668.19</u>
Total Nonoperating Revenues	<u>238,668.19</u>
Change in Net Assets	24,410.60
Net Assets, July 1	<u>119,973.83</u>
Net Assets, June 30	<u><u>\$ 144,384.43</u></u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities -- Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 220,783.13
Payments to Employees	(152,979.11)
Payments for Employee Benefits	(31,725.86)
Payments to Suppliers	(254,257.37)
	<u>(218,179.21)</u>
Net Cash Provided by (used for) Operating Activities	<u>(218,179.21)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Federal Sources	206,681.20
State Sources	5,617.38
Subsidies and Transfers	(94,566.48)
	<u>117,732.10</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>117,732.10</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments on Capital Lease	(3,051.43)
Purchase of Capital Assets	(35,996.00)
	<u>(39,047.43)</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(39,047.43)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	432.01
	<u>432.01</u>
Net Cash Provided by (used for) Investing Activities	<u>432.01</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(139,062.53)
Cash and Cash Equivalents, July 1	<u>139,062.53</u>
Cash and Cash Equivalents, June 30	<u><u>-</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(214,257.59)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation	8,594.90
Food Distribution Program	25,571.00
(Increase) Decrease in Accounts Receivable	(14,757.15)
(Increase) Decrease in Inventory	2,012.40
Increase (Decrease) in Interfund Payable	(12,043.34)
Increase (Decrease) in Accounts Payable	(13,299.43)
	<u>(3,921.62)</u>
Total Adjustments	<u>(3,921.62)</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (218,179.21)</u></u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Trust Funds</u>		<u>Agency Funds</u>	
	Mary E. Hare Memorial Scholarship Fund	Betty Sheppard Memorial Fund	Unemployment Compensation Trust Fund	Student Activity Payroll
ASSETS:				
Cash and Cash Equivalents	\$ 6,035.92	\$ 7,448.88	\$ 88,712.62	\$ 64,397.62
Accounts Receivable				1,100.00
Total Assets	6,035.92	7,448.88	88,712.62	\$ 65,497.62
LIABILITIES:				
Interfund Accounts Payable:				
General Fund		240.00		\$ 10,447.78
Payable to Student Groups				\$ 38,761.71
Payroll Deductions and Withholdings				55,049.84
Total Liabilities	-	240.00	-	\$ 38,761.71
NET ASSETS:				
Held in Trust for Unemployment Claims and Other Purposes			88,712.62	
Reserve for Program Expenditures Reserved for Scholarships	6,035.92	7,208.88		
Total Net Assets	\$ 6,035.92	\$ 7,208.88	\$ 88,712.62	\$ 65,497.62

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Mary E. Hare Memorial Scholarship <u>Fund</u>	Betty Sheppard Memorial <u>Fund</u>	Unemployment Compensation Trust <u>Fund</u>
ADDITIONS:			
Contributions:			
Donations		\$ 4,475.00	
Employee Salary Deductions			\$ 15,338.48
Investment Earnings:			
Interest	\$ 47.99	73.60	546.99
Total Additions	<u>47.99</u>	<u>4,548.60</u>	<u>15,885.47</u>
DEDUCTIONS:			
Program Expenditures		70.00	
Scholarships Awarded	<u>1,000.00</u>		
Total Deductions	<u>1,000.00</u>	<u>70.00</u>	<u>-</u>
Change in Net Assets	(952.01)	4,478.60	15,885.47
Net Assets, July 1	<u>6,987.93</u>	<u>2,730.28</u>	<u>72,827.15</u>
Net Assets, June 30	<u><u>\$ 6,035.92</u></u>	<u><u>\$ 7,208.88</u></u>	<u><u>\$ 88,712.62</u></u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The Borough of Bellmawr School District (hereafter referred to as the "School District") is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to educate students in grades Pre-K through 8th at its three schools. The School District has an approximate enrollment at June 30, 2012 of 1,135.

The primary criterion for including activities within the School 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 School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units - GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. At June 30, 2012, there are no organizations considered to be component units. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation - The financial statements of the School 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, to its business-type activities and enterprise funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described in this note.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Financial Statements (Cont'd)****Governmental Funds (Cont'd)**

General Fund (Cont'd) - In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2010. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the 2010-2011 school year, through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2012 is considered to be attributable to Ed Jobs. Ed Jobs expenditures at June 30, 2012 are included as a component of overall general fund expenditures, and also are included in total general fund expenditures for purposes of the excess surplus calculation.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds which 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Fund - The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs, that is, for the benefit of the School District or its students as a whole. The School District does not maintain a permanent fund.

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations

1. that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that the costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or
2. where the School District has decided that periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Financial Statements (Cont'd)**

Proprietary Funds (Cont'd) - Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	15 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Pension trust funds are used to account for resources held in trust for employees and their beneficiaries based on defined benefit pension agreements, defined contribution agreements, other postemployment benefit agreements, and other employee benefit arrangements. Investment trust funds are used to report the external portion of an investment pool as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District has five fiduciary funds, an unemployment compensation trust fund, a private-purpose scholarship fund, a memorial fund, a student activity fund, and a payroll fund.

Measurement Focus

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

For the fund financial statements, all governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

For fund financial statements, all governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds, like the government-wide financial statements, use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and the presentation of expenses versus expenditures.

Recognition of Revenue - Revenue resulting from exchange transactions, which are defined as transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. For the governmental fund financial statements, which are prepared on the modified accrual basis, however, such revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days after fiscal year end.

Revenue resulting from non-exchange transactions, which are defined as transactions in which the School District receives value without directly giving equal value in return, includes Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) taxes are susceptible to accrual. As under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of the restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. Restricted formula aids, which include *Preschool Education Aid*, are recorded in the special revenue fund in accordance with *The Audit Program* promulgated by the New Jersey Department of Education, which requires that these grants be realized in an amount equal to program expenditures.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: tuition, grants, fees, and rentals.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund financial statements is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets / Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control (Cont'd) - Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the revenue recognition policy for the one or more June state aid payments.

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. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as deferred revenues at fiscal year end.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd) - N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Tuition Receivable - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2012 and 2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure / expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring costs of operations.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District, and that are due within one year. These amounts are eliminated in the government-wide financial statements, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and / or interfunds payable on the statement of net assets.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds, however, are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets (Cont'd) - All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities	Business-Type Activities
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Land Improvements	20 Years	N/A
Buildings and Improvements	5-50 Years	N/A
Furniture and Equipment	5-20 Years	15 Years
Vehicles	5-10 Years	4-6 Years

Accrued Salaries and Wages - Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2012, the amounts earned by these employees were disbursed to the employees' own financial institution.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In the proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and federal and state Child Nutrition program revenues in the proprietary fund.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. The School District has no non-operating expenses.

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of June 30, 2012, the School District's bank balances of \$2,064,095.77 were exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	<u>\$ 322,036.64</u>
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Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of \$1 on September 26, 2000 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 School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a school 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 fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance July 1, 2011	\$ 457,593.89
Increased by:	
Board Resolution Adopted as of June 25, 2012	<u>767,297.02</u>
	1,224,890.91
Decreased by:	
Transfer to Capital Projects Fund - Local Share	<u>\$ 2,235.29</u>
Ending Balance June 30, 2012	<u><u>\$ 1,222,655.62</u></u>

The June 30, 2012 LRFP balance of local support costs of uncompleted projects at June 30, 2012 is \$1,621,000.00. The withdrawals from the capital reserve were for use in a DOE approved facilities projects, consistent with the School District's LRFP.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Accounts Receivable				\$ 21,320.67	\$ 1,100.00	\$ 22,420.67
Intergovernmental	<u>\$ 214,673.50</u>	<u>\$ 268,321.43</u>	<u>\$ 440,459.60</u>	<u>8,828.88</u>		<u>932,283.41</u>
	<u><u>\$ 214,673.50</u></u>	<u><u>\$ 268,321.43</u></u>	<u><u>\$ 440,459.60</u></u>	<u><u>\$ 30,149.55</u></u>	<u><u>\$ 1,100.00</u></u>	<u><u>\$ 954,704.08</u></u>

At June 30, 2012, the Debt Service had no accounts receivables.

Note 5: INVENTORY

The School District does not material amounts of inventory for its Governmental Funds.

Inventory in the food service fund at June 30, 2012 consisted of the following:

Food	\$ 12,959.30
Supplies	<u>1,797.85</u>
	<u>\$ 14,757.15</u>

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2012</u>
Government Activities:				
Capital Assets that are not being Depreciated:				
Land	\$ 854,200.00			\$ 854,200.00
Total Capital Assets not being Depreciated	<u>854,200.00</u>		-	<u>854,200.00</u>
Land Improvements	905,190.91			905,190.91
Building and Improvements	5,384,961.58	\$ 517,183.48		5,902,145.06
Equipment	<u>836,511.46</u>	<u>54,280.39</u>		<u>890,791.85</u>
Totals at Historical Cost	<u>7,126,663.95</u>	<u>571,463.87</u>	-	<u>7,698,127.82</u>
Less: Accumulated Depreciation for:				
Land Improvements	(538,421.63)	(60,894.15)		(599,315.78)
Building and Improvements	(2,191,458.70)	(154,040.54)		(2,345,499.24)
Equipment	<u>(442,839.57)</u>	<u>(97,446.13)</u>		<u>(540,285.70)</u>
Total Accumulated Depreciation	<u>(3,172,719.90)</u>	<u>(312,380.82) *</u>	-	<u>(3,485,100.72)</u>
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>3,953,944.05</u>	<u>259,083.05</u>		<u>4,213,027.10</u>
Government Activities Capital Assets, net	<u>\$ 4,808,144.05</u>	<u>\$ 259,083.05</u>	-	<u>\$ 5,067,227.10</u>
Business-Type Activities:				
Equipment	\$ 93,118.72	\$ 35,996.00	-	\$ 129,114.72
Less: Accumulated Depreciation	<u>(63,306.00)</u>	<u>(8,594.90)</u>		<u>(71,900.90)</u>
Business-Type Activities Capital Assets, net	<u>\$ 29,812.72</u>	<u>\$ 27,401.10</u>	-	<u>\$ 57,213.82</u>

Note 6: CAPITAL ASSETS (CONT'D)

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 46,436.79
General and Business Administrative Services	3,329.82
Plant Operations and Maintenance	<u>262,614.21</u>
Total Depreciation Expense	<u>\$ 312,380.82</u>

Note 7: LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	<u>Principal Outstanding July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 707,898.00		\$ (205,000.00)	\$ 502,898.00	\$ 210,000.00
Compensated Absences	1,062,768.66	\$ 181,055.00	(287,935.34)	955,888.32	95,366.67
Governmental Activity Long-term Liabilities	<u>\$ 1,770,666.66</u>	<u>\$ 181,055.00</u>	<u>\$ (492,935.34)</u>	<u>\$ 1,458,786.32</u>	<u>\$ 305,366.67</u>
Business Type Activities:					
Capital Leases Payable	<u>\$ 3,051.43</u>	<u>-</u>	<u>\$ (3,051.43)</u>	<u>-</u>	

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

On January 15, 1994, the School District issued \$1,400,000.00 general obligation bonds at interest rate varying to 5.20% for renovation projects. The final maturity of these bonds is January 15, 2014.

On March 27, 2003, the School District issued \$560,000.00 general obligation bonds to fund an early retirement incentive program at interest rates varying to 5.40%. The final maturity of these bonds is July 15, 2012.

On August 15, 2005, the School District issued \$492,898.00 general obligation bonds at interest rates varying to 3.9% for local share of renovation projects partially funded by grants from the State of New Jersey. The final maturity of these bonds is August 1, 2015.

Note 7: LONG-TERM OBLIGATIONS (CONT'D)

Principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 210,000.00	\$ 19,758.02	\$ 229,758.02
2014	155,000.00	11,174.27	166,174.27
2015	70,000.00	3,978.02	73,978.02
2016	67,898.00	1,324.01	69,222.01
	<u>\$ 502,898.00</u>	<u>\$ 36,234.32</u>	<u>\$ 539,132.32</u>

Bonds Authorized but not Issued - As of June 30, 2012, the School District had no authorizations to issue additional bonded debt.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid.

Note 8: OPERATING LEASES

At June 30, 2012, the School District had operating lease agreements in effect for copy machines and a mail machine. The present value of the future minimum rental payments under the operating lease agreements are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2013	38,382.48
2014	<u>2,340.00</u>
	<u>\$ 40,722.48</u>

Rental payments under operating leases for the fiscal year ended June 30, 2012 were \$41,588.16.

Note 9: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. No employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Note 9: PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

Public Employees Retirement System

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2012	\$ 46,472.00	\$ 78,030.00	\$ 124,502.00	\$ 124,502.00
2011	44,612.00	59,389.00	104,001.00	104,001.00
2010	43,102.00	42,055.00	85,157.00	85,157.00

Note 9: PENSION PLANS (CONT'D)

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

At June 30, 2012, the School District had no participants in the DCRP.

Note 10: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State 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 retire from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$207,877.00 and \$417,887.00, respectively.

Note 12: RISK MANAGEMENT

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

Note 12: RISK MANAGEMENT (CONT'D)

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

The following is a summary of School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year Ended June 30,</u>	<u>School District Contributions</u>	<u>Employee Contributions</u>	<u>Ending Balance</u>
2012	None	\$ 15,338.48	\$ 88,712.62
2011	None	8,583.92	72,827.15
2010	None	12,267.22	64,137.51

Joint Insurance Pool - The School District is a member of the School Alliance Insurance Fund. The Fund provides its members and the School District has the following coverage:

- General and Auto Liability
- Property and Auto Physical Damage
- Boiler and Machinery
- Comprehensive Crime Coverage
- Environmental Impairment Liability
- Excess Liability
- School Leaders Professional Liability
- Worker's Compensation
- Employer's Liability

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

Contributions to the Fund, are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The School District's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of \$50,000.00 to \$200,000.00 based on the line of coverage for each insured event.

The Fund publishes its own financial report for the fiscal year ended June 30, 2012, which can be obtained from:

School Alliance Insurance Fund
51 Everett Drive, Suite B-40
West Windsor, New Jersey 08550

Note 13: DEFERRED COMPENSATION

The School District offers its employees a choice of eight deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning, Inc.
The Equitable Life Assurance Company
Oppenheimer Funds
Mutual of Omaha Insurance Company
American Funds Group
Syracusa Benefits Program
Thomas Seely Agency Inc.
Met Life

Note 14: COMPENSATED ABSENCES

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

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, the liability for compensated absences in the governmental activities was \$955,888.32. There is no liability for compensated absences in the proprietary fund.

Note 15: INTERFUND BALANCES AND TRANSFERS

The following interfund balances were recorded on the various balance sheets as June 30, 2012:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General Fund	\$ 495,641.51	\$ 44,001.48
Special Revenue Fund		54,154.11
Capital Projects Fund		430,799.62
Debt Service Fund		
Proprietary Fund	44,001.48	
Fiduciary Funds		10,687.78
	<u>\$ 539,642.99</u>	<u>\$ 539,642.99</u>

Note 15: INTERFUND BALANCES AND TRANSFERS (CONT'D)

The interfund receivable in the general fund primarily represents payments made on behalf of grants in the special revenue fund or the capital projects fund where the School District has a receivable from the State of New Jersey or the federal government. These are expected to be collected within one year.

Note 16: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$43,100.40 in the special revenue fund as of June 30, 2012 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, school 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 statute 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 payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Note 17: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund -

For Capital Reserve Account - As of June 30, 2012, the balance in the capital reserve account is \$1,222,655.62. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

Capital Projects Fund - As of June 30, 2012, the balance in the capital projects fund is \$9,659.98 representing the balance of an existing capital project authorized under the School District's approved Long Range Facilities Plan (LRFP).

Debt Service Fund – As of June 30, 2012, the balance in the debt service fund is \$1.23. It can be anticipated for tax relief in a future budget.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

Note 17: FUND BALANCES (CONT'D)

ASSIGNED (CONT'D)

General Fund -

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2013, \$452,729.40 of general fund balance at June 30, 2012.

Other Purposes - As of June 30, 2012, the School District had \$205,951.43 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

Special Revenue Fund - As of June 30, 2012, the fund balance of the special revenue fund was a deficit of \$43,100.40, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in note 16, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of \$43,100.40 does not exceed the last state aid payment.

Note 18: SUBSEQUENT EVENTS

On the October 1, 2012, the Board of Education authorized a capital project for the reroofing of the district's three schools. The approximate project cost is \$3,093,750.00 and is not expected to receive state funding. The School District will hold a referendum on December 11, 2012 for the project.

FISCAL YEAR 2011

BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Bellmawr School District
Bellmawr, New Jersey 08031

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Borough of Bellmawr School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Bellmawr's School 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; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Bellmawr School District in the County of Camden, State of New Jersey as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Bellmawr School District's basic financial statements. The School District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011, includes certain supplementary information, including the required budgetary comparisons and management's discussion and analysis, that is not included with this presentation of the basic financial statements.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

/s/ John F. Dailey, Jr.
Certified Public Accountant
Public School Accountant No. CS 00140

Voorhees, New Jersey
October 31, 2011

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 194,846.11	\$ 139,062.53	\$ 333,908.64
Interfund Accounts Receivable	201,276.91		201,276.91
Accounts Receivable (Note 4)	865,597.57	8,462.28	874,059.85
Inventory (Note 5)		16,769.55	16,769.55
Deferred Assets:			
Bond Issuance Costs	29,202.67		29,202.67
Restricted Assets:			
Restricted Cash and Cash Equivalents	142,015.16		142,015.16
Capital Reserve Cash	457,593.89		457,593.89
Capital Assets, net (Note 6)	<u>4,808,144.05</u>	<u>29,812.72</u>	<u>4,837,956.77</u>
Total Assets	<u>6,698,676.36</u>	<u>194,107.08</u>	<u>6,892,783.44</u>
LIABILITIES:			
Accounts Payable	44,785.07	15,037.00	59,822.07
Interfund Accounts Payable	104,001.00	56,044.82	160,045.82
Accrued Interest Payable	14,258.86		14,258.86
Deferred Revenue	247,911.45		247,911.45
Noncurrent Liabilities (Note 7):			
Due within One Year	276,752.01	3,051.43	279,803.44
Due beyond One Year	<u>1,493,914.65</u>		<u>1,493,914.65</u>
Total Liabilities	<u>2,181,623.04</u>	<u>74,133.25</u>	<u>2,255,756.29</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	4,230,246.05	26,761.29	4,257,007.34
Restricted for:			
Other Purposes	198,595.88		198,595.88
Capital Projects	961,842.17		961,842.17
Unrestricted	<u>(873,630.78)</u>	<u>93,212.54</u>	<u>(780,418.24)</u>
Total Net Assets	<u>\$ 4,517,053.32</u>	<u>\$ 119,973.83</u>	<u>\$ 4,637,027.15</u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 5,129,290.93	\$ 933,991.43		\$ (4,195,299.50)		\$ (4,195,299.50)
Special Education	1,326,955.97			(1,326,955.97)		(1,326,955.97)
Other Special Instruction	76,190.14			(76,190.14)		(76,190.14)
Other Instruction	73,067.43			(73,067.43)		(73,067.43)
Support Services:						
Tuition	616,387.21			(616,387.21)		(616,387.21)
Student and Instruction Related Services	1,427,507.78	130,447.00		(1,297,060.78)		(1,297,060.78)
School Administrative Services	403,143.86			(403,143.86)		(403,143.86)
Other Administrative Services	554,520.72			(554,520.72)		(554,520.72)
Plant Operations and Maintenance	1,247,031.77		\$ 586,816.00	(660,215.77)		(660,215.77)
Pupil Transportation	212,323.96			(212,323.96)		(212,323.96)
Unallocated Benefits	2,741,012.04	994,402.81		(1,746,609.23)		(1,746,609.23)
Interest on Long-Term Debt	32,753.85	3,837.22		(28,916.63)		(28,916.63)
Amortization of Bond Issuance Costs	10,018.00			(10,018.00)		(10,018.00)
Total Governmental Activities	13,850,203.66	2,062,678.46	586,816.00	(11,200,709.20)	-	(11,200,709.20)
Business-Type Activities:						
Food Service	444,801.52				\$ 26,187.92	26,187.92
Total Business-Type Activities	444,801.52	227,210.51	-	-	26,187.92	26,187.92
Total Primary Government	\$ 14,295,005.18	\$ 2,289,888.97	586,816.00	(11,200,709.20)	26,187.92	(11,174,521.28)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				7,582,611.26		7,582,611.26
Taxes Levied for Debt Service				206,287.74		206,287.74
Federal and State Aid not Restricted				4,392,181.14		4,392,181.14
Federal and State Aid Restricted				18,752.78		18,752.78
Unrestricted Investment Earnings				3,284.25	199.05	3,483.30
Miscellaneous Income				97,897.96		97,897.96
Cancellation of Prior Year Accounts Receivable				(15,199.00)		(15,199.00)
Total General Revenues, Special Items, Extraordinary Items and Transfers				12,285,816.13	199.05	12,286,015.18
Change in Net Assets				1,085,106.93	26,386.97	1,111,493.90
Net Assets, July 1				3,431,946.39	93,586.86	3,525,533.25
Net Assets, June 30				\$ 4,517,053.32	\$ 119,973.83	\$ 4,637,027.15

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 194,846.11	\$ 91,587.38	\$ 50,427.78			\$ 336,861.27
Capital Reserve Cash	457,593.89					457,593.89
Interfunds Account Receivable:						
Capital Projects Fund	59,817.50					59,817.50
Debt Service Fund	1,001.00					1,001.00
Enterprise Fund	56,044.82					56,044.82
Trust and Agency Fund	145,232.09					145,232.09
Intergovernmental Accounts Receivable:						
State	102,814.29		513,638.00			616,452.29
Federal		114,666.08				114,666.08
Other	133,478.20			\$ 1,001.00		134,479.20
Total Assets	\$ 1,150,827.90	\$ 206,253.46	564,065.78	\$ 1,001.00	-	\$ 1,922,148.14
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 44,368.86	\$ 416.21				\$ 44,785.07
Interfunds Account Payable:						
General Fund			\$ 59,817.50	\$ 1,001.00		60,818.50
Trust and Agency Fund	104,001.00					104,001.00
Deferred Revenue		247,911.45				247,911.45
Total Liabilities	148,369.86	248,327.66	59,817.50	1,001.00	-	457,516.02

(Continued)

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (CONT'D):						
Fund Balances (Cont'd):						
Restricted:						
Capital Reserve	\$ 457,593.89					\$ 457,593.89
Capital Projects Fund		\$ 504,248.28				504,248.28
Committed:						
Other Purposes	22,395.57					22,395.57
Assigned:						
Subsequent Year's Expenditures	346,268.27					346,268.27
Other Purposes	176,200.31					176,200.31
Unassigned:						
Special Revenue Fund		\$ (42,074.20)				(42,074.20)
Total Fund Balances	1,002,458.04	(42,074.20)	504,248.28	-	-	1,464,632.12
Total Liabilities and Fund Balances	\$ 1,150,827.90	\$ 206,253.46	564,065.78	\$ 1,001.00	-	

(Continued)

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

	Total Governmental Funds
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,980,863.95 and the accumulated depreciation is \$3,172,719.90.	\$ 4,808,144.05
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	29,202.67
Accrued interest payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(14,258.86)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(1,770,666.66)</u>
Net assets of governmental activities	<u>\$ 4,517,053.32</u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Local Tax Levy	\$ 7,582,611.26			\$ 206,287.74		\$ 7,788,899.00
Interest on Investments	3,284.25					3,284.25
Unrestricted Miscellaneous Revenues	97,897.96					97,897.96
Federal Sources	13,406.74	\$ 761,774.15				775,180.89
State Sources	5,286,512.33	389,329.16	\$ 586,816.00	22,590.00		6,285,247.49
Total Revenues	12,983,712.54	1,151,103.31	586,816.00	228,877.74	-	14,950,509.59
EXPENDITURES:						
Current:						
Regular Instruction	4,169,584.53	936,043.83				5,105,628.36
Special Education Instruction	1,326,955.97					1,326,955.97
Other Special Instruction	76,190.14					76,190.14
Other Instruction	73,067.43					73,067.43
Support Services and Undistributed Costs:						
Tuition	616,387.21					616,387.21
Student and Instruction Related Services	1,312,577.44	130,447.00				1,443,024.44
School Administrative Services	403,443.86					403,443.86
Other Administrative Services	547,896.42					547,896.42
Plant Operations and Maintenance	882,727.90					882,727.90
Pupil Transportation	218,748.96					218,748.96
Unallocated Benefits	2,654,347.16	86,664.88				2,741,012.04
Debt Service:						
Principal				190,000.00		190,000.00
Interest and Other Charges				38,878.02		38,878.02
Capital Outlay	219,630.53		570,751.72			790,382.25
Total Expenditures	12,501,557.55	1,153,155.71	570,751.72	228,878.02	-	14,454,343.00
Excess (Deficiency) of Revenues over Expenditures	482,154.99	(2,052.40)	16,064.28	(0.28)	-	496,166.59

(Continued)

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Cancellation of Intergovernmental Accounts Receivable						
Capital Reserve Transferred to Capital Projects Fund	\$ (488,184.00)		\$ (15,199.00)			\$ (15,199.00)
Capital Projects Fund Transferred to Capital Reserve	13,868.50		488,184.00			
Capital Outlay Transferred to Capital Reserve	(400,000.00)		(13,868.50)			(400,000.00)
Capital Reserve Transferred from Capital Outlay	400,000.00					400,000.00
Total Other Financing Sources and Uses	(474,315.50)	-	459,116.50	-	-	(15,199.00)
Net Change in Fund Balances	7,839.49	\$ (2,052.40)	475,180.78	\$ (0.28)	-	\$ 480,967.59
Fund Balance, July 1	994,618.55	(40,021.80)	29,067.50	0.28		983,664.53
Fund Balance, June 30	\$ 1,002,458.04	\$ (42,074.20)	\$ 504,248.28	-	-	\$ 1,464,632.12

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	480,967.59
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Amounts reported for governmental activities in the statement
of activities (A-2) are different because:

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

Depreciation expense	\$	(277,283.06)
Capital outlay expensed in accordance with District's policies		(125,372.37)
Other expenses capitalized in accordance with District's policies		12,733.20
Capital outlays		<u>790,382.25</u>

400,460.02

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets and is not reported in the statement of activities.

190,000.00

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items
when debt is first issued, whereas these amounts are deferred and amortized in the statement
of activities. This amount is the net effect of these differences.

(10,018.00)

Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the
governmental funds, interest is reported when due. This amount is the net effect of the difference
in the treatment of interest on long-term debt.

6,124.17

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

17,573.15

Change in Net Assets of Governmental Activities

\$ 1,085,106.93

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Business-Type Activities -- Enterprise <u>Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 139,062.53
Accounts Receivable:	
Federal	8,253.05
State	209.23
Inventories	<u>16,769.55</u>
Total Current Assets	<u>164,294.36</u>
Noncurrent Assets:	
Equipment	93,118.72
Less: Accumulated Depreciation	<u>(63,306.00)</u>
Total Noncurrent Assets	<u>29,812.72</u>
Total Assets	<u>194,107.08</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	15,037.00
Capital Leases Payable - Current Portion	3,051.43
Interfund payable -- General Fund	<u>56,044.82</u>
	<u>74,133.25</u>
Noncurrent Liabilities -- Capital Leases Payable	<u>-</u>
Total Liabilities	<u>74,133.25</u>
NET ASSETS:	
Invested in Capital Assets Net of Related Debt	26,761.29
Unrestricted	<u>93,212.54</u>
Total Net Assets	<u>\$ 119,973.83</u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities -- Enterprise <u>Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 109,559.49
Daily Sales - Non-Reimbursable Programs	31,331.49
Daily Sales - Vending	9,428.16
Rebates	418.60
Other School District	81,618.51
Special Functions	11,422.68
	<u>243,778.93</u>
Total Operating Revenues	<u>243,778.93</u>
OPERATING EXPENSES:	
Cost of Sales	202,999.40
Salaries	136,511.77
Employee Benefits	28,368.15
Purchased Professional Services	19,660.20
Other Purchased Services	11,273.16
Supplies and Materials	36,590.95
Miscellaneous	2,610.86
Depreciation	6,787.03
	<u>444,801.52</u>
Total Operating Expenses	<u>444,801.52</u>
Operating Income (Loss)	<u>(201,022.59)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	5,417.86
Federal Sources:	
National School Lunch Program	195,211.46
National School Breakfast Program	6,288.36
Special Milk Program	149.32
Food Distribution Program	20,143.51
Interest	199.05
	<u>227,409.56</u>
Total Nonoperating Revenues	<u>227,409.56</u>
Change in Net Assets	26,386.97
Net Assets, July 1	<u>93,586.86</u>
Net Assets, June 30	<u><u>\$ 119,973.83</u></u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities -- Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 243,778.93
Payments to Employees	(136,511.77)
Payments for Employee Benefits	(28,368.15)
Payments to Suppliers	(262,054.11)
	<u>(183,155.10)</u>
Net Cash Provided by (used for) Operating Activities	<u>(183,155.10)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Federal Sources	205,548.23
State Sources	5,784.69
	<u>211,332.92</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>211,332.92</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments on Capital Lease	(11,615.13)
Purchase of Capital Assets	(483.88)
	<u>(12,099.01)</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(12,099.01)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	199.05
	<u>199.05</u>
Net Cash Provided by (used for) Investing Activities	<u>199.05</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,277.86
Cash and Cash Equivalents, July 1	<u>122,784.67</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 139,062.53</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(201,022.59)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation	6,787.03
Food Distribution Program	20,143.51
(Increase) Decrease in Accounts Receivable	
(Increase) Decrease in Inventory	(788.85)
Increase (Decrease) in Interfund Payable	(9,311.20)
Increase (Decrease) in Accounts Payable	1,037.00
	<u>17,867.49</u>
Total Adjustments	<u>17,867.49</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (183,155.10)</u></u>

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	<u>Trust Funds</u>		<u>Agency Funds</u>
	Mary E. Hare Memorial Scholarship Fund	Betty Sheppard Memorial Fund	Unemployment Compensation Trust Fund
			Student Activity
			Payroll
ASSETS:			
Cash and Cash Equivalents	\$ 6,987.93	\$ 2,730.28	\$ 28,245.18
Total Assets	6,987.93	2,730.28	\$ 28,245.18
LIABILITIES:			
Interfund Accounts Payable:			
General Fund			\$ 41,231.09
Intergovernmental Accounts Payable - State			104,001.00
Payable to Student Groups			\$ 28,245.18
Payroll Deductions and Withholdings			70,416.78
Total Liabilities	-	-	\$ 28,245.18
NET ASSETS:			
Held in Trust for Unemployment			
Claims and Other Purposes			72,827.15
Reserve for Program Expenditures		1,663.27	
Reserved for Scholarships	6,987.93		
Total Net Assets	\$ 6,987.93	\$ 1,663.27	\$ 72,827.15

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2011

	Mary E. Hare Memorial Scholarship <u>Fund</u>	Betty Sheppard Memorial <u>Fund</u>	Unemployment Compensation Trust <u>Fund</u>
ADDITIONS:			
Contributions:			
Donations		\$ 2,988.27	
Employee Salary Deductions			\$ 8,583.92
Investment Earnings:			
Interest	\$ 13.15		105.72
Total Additions	13.15	2,988.27	8,689.64
DEDUCTIONS:			
Program Expenditures		4,725.00	
Scholarships Awarded	1,000.00		
Total Deductions	1,000.00	4,725.00	-
Change in Net Assets	(986.85)	(1,736.73)	8,689.64
Net Assets, July 1	7,974.78	3,400.00	64,137.51
Net Assets, June 30	\$ 6,987.93	\$ 1,663.27	\$ 72,827.15

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

BOROUGH OF BELLMAWR SCHOOL DISTRICT

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of the Reporting Entity - The Borough of Bellmawr School District (hereafter referred to as the "School District") is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to educate students in grades Pre-K through 8th at its three schools. The School District has an approximate enrollment at June 30, 2011 of 1,144.

The primary criterion for including activities within the School 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 School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units - GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. At June 30, 2011, there are no organizations considered to be component units. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation - The financial statements of the School 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities, and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described in this note.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Governmental Funds (Cont'd)**

General Fund (Cont'd) - In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2010. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the 2010-2011 school year, through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2011 is considered to be attributable to Ed Jobs. Ed Jobs expenditures at June 30, 2011 are included as a component of overall general fund expenditures, and also are included in total general fund expenditures for purposes of the excess surplus calculation. For the fiscal year 2011, the School District did not participate in the ED Jobs fund.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service, capital projects, and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds which 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Fund - The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs, that is, for the benefit of the School District or its students as a whole. At June 30, 2011, the School District does not maintain any permanent funds.

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations

1. that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that the costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or
2. where the School District has decided that periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's enterprise fund is:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Proprietary Funds (Cont'd) - All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	15 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Pension trust funds are used to account for resources held in trust for employees and their beneficiaries based on defined benefit pension agreements, defined contribution agreements, other postemployment benefit agreements, and other employee benefit arrangements. Investment trust funds are used to report the external portion of an investment pool as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District has five fiduciary funds, an unemployment compensation trust fund, a private-purpose scholarship fund, a memorial fund, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) taxes are susceptible to accrual. As under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of the restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. Restricted formula aids, which includes Preschool Education Aid, are recorded in the special revenue fund in accordance with *The Audit Program* promulgated by the New Jersey Department of Education, which requires that these grants be realized in an amount equal to program expenditures.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: tuition, grants, fees, and rentals.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets / Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control (Cont'd) - Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year end as expenditures in the general fund since the general fund budget follows modified accrual basis, with the exception of the revenue recognition policy for the one or more June state aid payments.

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. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as deferred revenues at fiscal year end.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd) - N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Tuition Receivable - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined. The School District had no tuition charges for the fiscal year ended June 30, 2011.

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2011 and 2010 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required. This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure / expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring costs of operations.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and / or interfunds payable.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets (Cont'd) - All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	20 Years	N/A
Buildings and Improvements	5-50 Years	N/A
Furniture and Equipment	5-20 Years	15 Years
Vehicles	5-10 Years	4-6 Years

Accrued Salaries and Wages - Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2011, the amounts earned by these employees were disbursed to the employees' own financial institution.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and federal and state Child Nutrition program revenues in the proprietary fund.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. The School District has no non-operating expenses.

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Of the School District's bank balances of \$1,776,845.41 as of June 30, 2011, \$173,549.26 was uninsured and uncollateralized.

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of \$1.00 on September 26, 2000 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 School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a school 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 fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Note 3: CAPITAL RESERVE ACCOUNT(CONT'D)

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance July 1, 2010	\$ 531,909.39
Increased by:	
Board Resolution Adopted as of June 25, 2011	400,000.00
Unexpended Local Share from Capital Project Fund	<u>13,868.50</u>
	945,777.89
Decreased by:	
Transfer to Capital Projects Fund - Local Share	<u>\$ 488,184.00</u>
Ending Balance June 30, 2011	<u>\$ 457,593.89</u>

The June 30, 2011 LRFP balance of local support costs of uncompleted projects at June 30, 2011 is \$1,621,880.00. The withdrawals from the capital reserve were for use in a DOE approved facilities projects, consistent with the School District's LRFP.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Intergovernmental	<u>\$ 236,292.49</u>	<u>\$ 114,666.08</u>	<u>\$ 513,638.00</u>	<u>\$ 1,001.00</u>	<u>\$ 8,462.28</u>	<u>\$ 874,059.85</u>

At June 30, 2011, there is no accounts receivable in the Fiduciary Funds.

Note 5: INVENTORY

Inventory in the food service fund at June 30, 2011 consisted of the following:

Food	\$ 14,426.07
Supplies	<u>2,343.48</u>
	<u>\$ 16,769.55</u>

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Government Activities:				
Capital Assets that are not being Depreciated:				
Land	\$ 854,200.00			\$ 854,200.00
Total Capital Assets not being Depreciated	854,200.00		-	854,200.00
Land Improvements	899,070.91	\$ 6,120.00		905,190.91
Building and Improvements	4,844,388.02	540,573.56		5,384,961.58
Equipment	705,461.94	131,049.52		836,511.46
Totals at Historical Cost	6,448,920.87	677,743.08	-	7,126,663.95
Less: Accumulated Depreciation for:				
Land Improvements	(479,254.47)	(59,167.16)		(538,421.63)
Building and Improvements	(2,054,718.50)	(136,740.20)		(2,191,458.70)
Equipment	(361,463.87)	(81,375.70)		(442,839.57)
Total Accumulated Depreciation	(2,895,436.84)	(277,283.06) *	-	(3,172,719.90)
Total Capital Assets being Depreciated, net of Accumulated Depreciation	3,553,484.03	400,460.02		3,953,944.05
Government Activities Capital Assets, net	\$ 4,407,684.03	\$ 400,460.02	-	\$ 4,808,144.05
Business-Type Activities:				
Equipment	\$ 92,634.84	\$ 483.88	-	\$ 93,118.72
Less: Accumulated Depreciation	(56,518.96)	(6,787.04)		(63,306.00)
Business-Type Activities Capital Assets, net	\$ 36,115.88	\$ (6,303.16)	-	\$ 29,812.72

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 34,327.26
General and Business Administrative Services	5,224.30
Plant Operations and Maintenance	237,731.50
Total Depreciation Expense	\$ 277,283.06

Note 7: LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2011, the following changes occurred in long-term obligations:

	<u>Principal Outstanding July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 897,898.00		\$ (190,000.00)	\$ 707,898.00	\$ 205,000.00
Compensated Absences	1,080,341.81	\$ 129,150.00	(146,723.15)	1,062,768.66	71,752.01
Governmental Activity Long-term Liabilities	<u>\$ 1,978,239.81</u>	<u>\$ 129,150.00</u>	<u>\$ (336,723.15)</u>	<u>\$ 1,770,666.66</u>	<u>\$ 276,752.01</u>
Business Type Activities:					
Capital Leases Payable	<u>\$ 14,666.56</u>		<u>\$ (11,615.13)</u>	<u>\$ 3,051.43</u>	<u>\$ 3,051.43</u>

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

On January 15, 1994, the School District issued \$1,400,000.00 general obligation bonds at interest rate varying to 5.20% for renovation projects. The final maturity of these bonds is January 15, 2014.

On March 27, 2003, the School District issued \$560,000.00 general obligation bonds to fund an early retirement incentive program at interest rates varying to 5.40%. The final maturity of these bonds is July 15, 2012.

On August 15, 2005, the School District issued \$492,898.00 general obligation bonds at interest rates varying to 3.9% for local share of renovation projects partially funded by grants from the State of New Jersey. The final maturity of these bonds is August 1, 2015.

Principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 205,000.00	\$ 29,646.77	\$ 234,646.77
2013	210,000.00	19,758.02	229,758.02
2014	155,000.00	11,174.27	166,174.27
2015	70,000.00	3,978.02	73,978.02
2016	<u>67,898.00</u>	<u>1,324.01</u>	<u>69,222.01</u>
	<u>\$ 707,898.00</u>	<u>\$ 65,881.09</u>	<u>\$ 773,779.09</u>

Bonds Authorized but not Issued - As of June 30, 2011, the School District had no authorizations to issue additional bonded debt.

Compensated Absences - Compensated absences will be paid from the fund from which the employee's salaries are paid.

Note 7: LONG-TERM OBLIGATIONS (CONT'D)

Capital Leases Payable - In the Food Service Enterprise Fund, the School District is leasing dishwashers totaling \$21,999.84 under a capital lease. The capital lease is for a term of two years and is non interest bearing. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2011.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Total</u>
2012	\$ 3,666.64		\$ 3,666.64
	\$ 3,666.64	-	\$ 3,666.64

(1) Non-interest bearing lease.

Note 8: OPERATING LEASES

At June 30, 2011, the School District had operating lease agreements in effect for copy machines, mail machines, and textbooks. The future minimum rental payments under the operating lease agreements are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2012	\$ 41,588.16
2013	38,382.48
2014	2,340.00
	<u>\$ 82,310.64</u>

Rental payments under operating leases for the fiscal year ended June 30, 2011 were \$41,588.16.

Note 9: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. In addition, there is the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. There are no employees participating in this plan. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Note 9: PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Teachers' Pension and Annuity Fund (Cont'd) - Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2011	\$ 44,612.00	\$ 59,389.00	\$ 104,001.00	\$ 104,001.00
2010	43,102.00	42,055.00	85,157.00	85,157.00
2009	37,229.00	33,958.00	71,187.00	71,187.00

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

Note 9: PENSION PLANS (CONT'D)

Defined Contribution Retirement Program (Cont'd) - The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

At June 30, 2011, the School District had no participants in the DCRP.

Note 10: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State 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 retire from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2011, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$19,718.00 and \$418,803.00, respectively.

Note 12: RISK MANAGEMENT

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

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

Note 12: RISK MANAGEMENT (CONT'D)

New Jersey Unemployment Compensation Insurance (Cont'd) - The following is a summary of School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year Ended June 30,</u>	<u>School District Contributions</u>	<u>Employee Contributions</u>	<u>Ending Balance</u>
2011		\$ 8,583.92	\$ 72,827.15
2010		12,267.22	64,137.51
2009		11,184.68	51,529.96

Joint Insurance Pool - The School District is a member of the School Alliance Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation and Employer's Liability
 Liability other than Motor Vehicles
 Property Damage other than Motor Vehicles
 Motor Vehicles

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

The Fund provides the School District with the following coverage:

Property (Including Crime and Auto Physical Damage)
 Boiler and Machinery
 Crime and Fidelity
 Comprehensive General Liability
 Automobile Liability
 Workers' Compensation
 Supplemental Indemnity
 Foreign Travel Liability
 School Leaders Professional Liability
 Student Accident Insurance
 Environmental Impairment Liability
 Security Guard Liability
 Excess Liability

Contributions to the Fund, are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The School District's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund for claims in excess of \$50,000.00 to \$200,000.00 based on the line of coverage for each insured event.

The Fund publishes its own financial report for the fiscal year ended June 30, 2011, which can be obtained from:

School Alliance Insurance Fund
 c/o PEGAS
 51 Everett Drive
 Lawrenceville, New Jersey 08648

Note 13: DEFERRED COMPENSATION

The School District offers its employees a choice of eight deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning, Inc.
The Equitable Life Assurance Company
Oppenheimer Funds
Mutual of Omaha Insurance Company
American Funds Group
Syracusa Benefits Program
Thomas Seely Agency Inc.
Met Life

Note 14: COMPENSATED ABSENCES

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

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, the liability for compensated absences in the governmental activities and proprietary fund types was \$1,062,768.66.

Note 15: INTERFUND BALANCES AND TRANSFERS

The following interfund balances were recorded on the various balance sheets as June 30, 2011:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 262,095.41	\$ 104,001.00
Capital Projects		59,817.50
Debt Service Fund		1,001.00
Proprietary		56,044.82
Fiduciary		41,231.09
	<u>\$ 262,095.41</u>	<u>\$ 262,095.41</u>

Note 16: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$42,074.20 in the special revenue fund as of June 30, 2011 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, school 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 statute 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 payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Note 17: DEFICIT UNRESTRICTED NET ASSETS

The Governmental Funds had a deficit in unrestricted net assets of \$873,630.78 as of June 30, 2011. This deficit is attributable to the allocation of compensated absences payable, and bonds payable on the early retirement incentive plan to unrestricted net assets.

Note 18: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund -

For Capital Reserve Account - As of June 30, 2011, the balance in the capital reserve account is \$457,593.89. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

Capital Projects Fund - As of June 30, 2011, the balance in the capital projects fund is \$504,248.28. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

COMMITTED

As stated in note 1, the committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which is the Board of Education. Specific commitments of the School District's fund balance are summarized as follows:

General Fund – For the year ending June 30, 2011 the Board of Education entered into various contract agreements that had not been paid in full at year end. These amounts were encumbered to commit a portion of unassigned balance for the future payment of these contract agreements. As of June 30, 2011, \$22,395.57 has been committed for this purpose.

Note 18: FUND BALANCES (CONT'D)

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund -

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2012 \$346,268.27 of general fund balance at June 30, 2011.

Other Purposes - As of June 30, 2011, the School District had \$176,200.31 of encumbrances outstanding for purchase orders signed by the School District, but not completed, as of the close of the fiscal year.

APPENDIX C

Form of Approving Legal Opinion

_____, 2013

The Board of Education of the
Borough of Bellmawr in the
County of Camden, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Borough of Bellmawr in the County of Camden, New Jersey (the “Board of Education”) in connection with the issuance by the Board of Education of \$3,093,000 School Bonds, dated _____, 2013 (the “Bonds”). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on January 3, 2013 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on March 12, 2013 and (iii) a resolution duly adopted by the Board of Education on April 29, 2013. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

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

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103(a) of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, pursuant to Section 103(a) of the Code, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It is also our opinion that interest on the Bonds held by a corporate taxpayer is included in "adjusted current earnings" in calculating alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,