New Issue

Ratings: Standard & Poor's: "AA+" (Underlying Rating)
Standard & Poor's: "AA-" (School Bond Reserve Act)
(See "RATINGS" herein)

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 20, 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.

THE BOARD OF EDUCATION OF THE TOWNSHIP OF LIVINGSTON IN THE COUNTY OF ESSEX, NEW JERSEY
$8,500,000 SCHOOL BONDS
(Book-Entry-Only) (Callable) (Bank-Qualified)

Dated: Date of Delivery | Due: August 1, as shown below

The $8,500,000 School Bonds (the "Bonds") of The Board of Education of the Township of Livingston in the County of Essex, New Jersey (the "Board" 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. See "Book-Entry-Only System" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity or earlier redemption, commencing on August 1, 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 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS-Redemption" herein.

The Bonds are valid and legally binding obligations of the Board and, unless paid from other sources, are payable from *ad valorem* taxes levied 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.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2014	$350,000			2022	$650,000		
2015	400,000			2023	650,000		
2016	400,000			2024	650,000		
2017	475,000			2025	650,000		
2018	525,000			2026	650,000		
2019	650,000			2027	700,000		
2020	700,000			2028	700,000		
2021	350,000						

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. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as financial advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about October 16, 2013.

BID PROPOSALS FOR THE BONDS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION VIA THE MUNIAUCTION WEBSITE AT WWW.GRANTSTREET.COM (OPEN AUCTION) ON OCTOBER 1, 2013 FROM 11:00 A.M. TO 11:15 A.M., SUBJECT TO THE TWO MINUTE RULE. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY & TO VIEW THE NOTICE OF SALE, VISIT THE WEBSITE ADDRESS ABOVE.

THE BOARD OF EDUCATION OF THE
TOWNSHIP OF LIVINGSTON
IN THE COUNTY OF ESSEX, NEW JERSEY

MEMBERS OF THE BOARD

Ronnie Spring, President
Barry Funt, Vice President
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SUPERINTENDENT

Dr. John B. Alfieri

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Steven K. Robinson

GENERAL COUNSEL

Fogarty & Hara, Esqs.
Fair Lawn, New Jersey

BOARD AUDITOR

Wiss & Company, LLP
Iselin, New Jersey

FINANCIAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

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

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

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE
TOWNSHIP OF LIVINGSTON
IN THE COUNTY OF ESSEX, NEW JERSEY

$8,500,000
SCHOOL BONDS
(BOOK-ENTRY-ONLY ISSUE)
(CALLABLE) (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 Township of Livingston in the County of Essex, 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 $8,500,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds has been authorized by the Board.

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

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

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

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

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of $1,000 integrals, with a minimum purchase of $5,000, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

Optional Redemption

The Bonds maturing prior to August 1, 2024 are not subject to optional redemption. The Bonds maturing on or after August 1, 2024 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after August 1, 2023 at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Notice of Redemption

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

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

Security for the Bonds

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

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

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

2003, c. 118, approved July 1, 2003 (the "Act")). Amendments to the 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 (i) Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), (ii) a proposal adopted by the Board and approved by a majority of the legal voters present and voting at the school district election held on March 12, 2013, and (iii) by a resolution duly adopted by the Board on September 16, 2013 (the “Resolution”).

The purpose of the referendum is to provide funds for the construction of additions and renovations at Burnet Hill Elementary School, Collins Elementary School, Harrison Elementary School, Hillside Elementary School and Riker Hill Elementary School and ADA compliance improvements at Livingston

High School, including incidental and related furnishings, equipment and work. The total cost of the project is $18,200,000. The Board is issuing $8,500,000 for the project through this issuance of Bonds and plans to bond the balance, not to exceed $9,700,000 in 2014.

BOOK-ENTRY-ONLY SYSTEM[1]

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 securities 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

[1] Source: The Depository Trust Company

representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, 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.

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

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

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

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

<u>Discontinuance of Book-Entry-Only System</u>

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 Board/Paying Agent for such purposes only upon the surrender thereof to the Board/Paying Agent together with the duly executed assignment in form satisfactory to the Board/Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the fifteenth (15th) day, whether or not a business day, of the calendar month next preceding an Interest Payment Date.

THE STATE'S ROLE IN PUBLIC EDUCATION

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

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

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

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

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 of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

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

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

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

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approved by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

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

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

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

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

Issuance of Debt

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

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

Every board is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the year ended June 30, 2010, a licensed public school accountant must complete the annual audit no later than five months (5) after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four months. 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.

<u>Debt Limitation (N.J.S.A. 18A:24-19)</u>

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a kindergarten (K) through grade twelve (12) school district, the School District can borrow up to 4% of the average equalized valuation of taxable property in the School District. The School District has not exceeded its 4% debt limit. *See* "APPENDIX A – Economic and Demographic Information Relating to the School District and the Township of Livingston."

<u>Exceptions to Debt Limitation</u>

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

<u>Capital Lease Financing</u>

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 ("EFCFA"), 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.

<u>Energy Saving Obligations</u>

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 <u>Robinson v. Cahill</u> 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 <u>et</u> <u>seq</u>., (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 <u>Abbott v. Burke</u> 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 QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many 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), removed the special status given to certain districts known as Abbott 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 challenged in the Court, and the Court held that the State's current 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, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice 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.

The State reduced debt service aid by fifteen percent (15%) for fiscal years 2011, 2012 and 2013. As a result of the debt service aid reduction, for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal year 2011, 2012 and 2013 budgets representing 15% of the school district's proportionate share of the fiscal principal and interest payments on the outstanding EDA bonds issued to fund such grants.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. § 6301 et seq., is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. 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 Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township 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 Township has not exceeded its statutory debt limit.

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

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

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

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as any anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

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

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

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

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

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

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

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits, including the provisions of the recent legislation, would limit the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township 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 Township's local School District and the County, the tax rate is struck by the Essex 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 Township'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 Township 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 Essex 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 Wiss & Company, LLP, Iselin, 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 Township of Livingston in the County of Essex, New Jersey". Such Financial Statements are included herein for informational purposes only, and the information contained in these Financial Statements should not be used to modify the description of the security for the Bonds contained herein.

LITIGATION

To the knowledge of the Board Attorney, Rodney T. Hara, Esq. of Fogarty & Hara, Esqs.(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 Underwriter 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.

UNDERWRITING

The Bonds have been purchased from the Board at a public sale by _____, _____, _____ (the "Underwriter") at a purchase price of $___________ ("Purchase Price"). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Purchase Price of the Bonds reflects a par amount of the bonds of $____________ plus a bid premium of $___________. The Bonds are being offered for sale at the yields or prices set forth on the inside front cover page of this Official Statement, which yields or prices may be changed from time to time by the Underwriter without notice.

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 Underwriter 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.

Bond Counsel and the Board Attorney have 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.

RATINGS

Standard & Poor's Ratings Services ("Rating Agency"), has assigned an underlying rating of "AA+" to the Bonds based upon the underlying credit of the School District. In addition, the Rating Agency has assigned its municipal bond rating of "AA-" to the Bonds based upon the additional security provided by the New Jersey School Bond Reserve Act.

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 rating will continue for any given period of time or that the ratings 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.

FINANCIAL ADVISOR

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

SECONDARY MARKET DISCLOSURE

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

(a) On or prior to February 1 of each year, beginning February 1, 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 of Education consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board of Education and certain financial information and operating data consisting of (1) Board of Education and overlapping indebtedness including a schedule of outstanding debt issued by the Board of Education; (2) the Board of Education's most current adopted budget; (3) property valuation information; and (4) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

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

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) Modifications to rights of security holders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the securities, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other

than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(d) If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

(e) The Business Administrator/Board Secretary shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Board of Education prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

(f) In the event that the Board of Education fails to comply with the Rule requirements or the written contracts or undertakings specified in the Resolution, the Board of Education shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

As indicated in table below, the Board previously has failed to file with EMMA in a timely manner its annual financial information for fiscal years ending June 30, 2010 and 2011. The Board also failed to file in a timely manner its annual financial information for fiscal year ending June 30, 2008 to each nationally recognized municipal securities information repository. On January 16, 2013, the Board appointed Phoenix Advisors, LLC as dissemination agent. As of January 16, 2013, the Board is and has remained in compliance with all of its existing continuing disclosure agreements in all material respects.

Year	**Filing Deadline**	**Date Filed With Bloomberg**	**Date Filed With EMMA**
06/30/12	02/01/13	01/16/13	01/16/13
06/30/11	02/01/12	11/22/11	01/16/13
06/30/10	02/01/11	11/24/10	01/16/13
06/30/09	02/01/10	01/26/10	N/A
06/30/08	02/01/09	01/25/10	N/A

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Steven K. Robinson, Business Administrator/Board Secretary, Livingston Township School District, 11 Foxcroft Drive, Livingston, New Jersey, 07039, (973) 535-8000 or the Financial Advisor, Phoenix Advisors, LLC at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

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 Underwriter 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 TOWNSHIP OF LIVINGSTON IN THE COUNTY OF ESSEX, NEW JERSEY

By: ______________________________________
Steven K. Robinson
Business Administrator/Board Secretary

Dated: October __, 2013

APPENDIX A

Economic and Demographic Information Relating to the Township of Livingston and the School District

INFORMATION REGARDING THE SCHOOL DISTRICT

Type

The School District is a Type II school district that is coterminous with the borders of the Township of Livingston (the "Township"). The School District provides a full range of educational services appropriate to kindergarten (K) through the twelfth (12) grades.

The Board is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Board Secretary/Business Administrator who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

Description of Facilities

The Board presently operates the following school facilities:

Facility	Grade Level	Student Enrollment (As of 6/30/12)
Burnet Hill Elementary	K - 5	413
Riker Hill Elementary	K - 5	417
Collins Elementary	K - 5	424
Harrison Elementary	K - 5	528
Hillside Elementary	K - 5	398
Mount Pleasant Elementary	K - 5	423
Heritage Middle School	6	893
Mount Pleasant Middle School	7-8	477
Livingston High School	9 - 12	1,761

Staff

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education. State law requires a Treasurer of School monies to hold in trust all school monies and to make a monthly report to the Board. There are approximately 697 full-time and part-time employees of the School District, of which 449 are teaching professionals.

Pupil Enrollments

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

Pupil Enrollments

School Year	Enrollment
2012-2013	5,784
2011-2012	5,734
2010-2011	5,746
2009-2010	5,706
2008-2009	5,672

Source: School District

Labor Relations

The Board’s contract with Livingston Township Education Association, which represents the teaching and support staff expires on June 30, 2014. The Board currently has a contract with Livingston Township Administrator’s Association, which represents the Principals, Vice Principals, Directors and Supervisors and the contract expires on June 30, 2013.

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two state administered multi-employer pension systems. The pension systems were established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the system. The two State administered pension funds are the Teacher's Pension and Annuity Fund and Public employee's Retirement System. The Division charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the state contributes the employer's share of the annual Social Security and Pension contribution for employees' enrolled in the Teacher's Pension and Annuity Fund. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Fiscal 2013-14 Budget

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17,

2012) if the school has opted to move it annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If the Board proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The Board has chosen under the Election Law to move its annual school election to November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2013-2014 fiscal year is $94,337,503. The major sources of revenue are $92,768,603 from the local tax levy and $97,410,152 from state aid.

Budget History

As noted, prior to the Board's budget for its 2013-2014 fiscal year, the Board must submit its budget for voter approval. The results of the last five budget elections of the Board are as follows:

Budget Year	Amount Raised in Taxes	Budget Amount	Election Result
2013-2014	$92,768,603	$97,410,152	N/A
2012-2013	90,955,519	95,487,067	N/A
2011-2012	90,069,759	92,608,174	Passed
2010-2011	88,714,753	90,133,198	Passed
2009-2010	85,302,647	98,593,667	Passed

Source: School District

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2008 through June 30, 2012.This summary should be used in conjunction with the tables from which it is derived (see Appendix B). Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

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

	2012	2011	2010	2009	2008
REVENUES					
Local Sources:					
Local Tax Levy	$90,069,759	$88,714,753	$85,302,647	$82,421,415	$79,251,361
Other Local Revenue	1,022,606	702,200	832,879	949,941	932,953
Total revenues-local sources	91,092,365	89,416,953	86,135,526	83,371,356	80,184,314
State Sources	10,144,173	7,841,923	10,678,288	10,524,689	14,038,844
Federal Sources	147,404	0	0	0	0
Total Revenues	$101,383,942	$97,258,876	$96,813,814	$93,896,045	$94,223,158
EXPENDITURES					
General Fund, Special Revenue and Capital Projects Funds:					
Instruction	$41,957,792	$40,621,836	$40,926,365	$39,512,980	$39,191,751
Undistributed Expenditures	54,981,193	53,723,417	54,716,963	51,734,915	53,142,698
Capital Outlay	2,923,805	2,264,660	3,791,406	2,955,162	2,525,120
Total Expenditures	$99,862,790	$96,609,913	$99,434,734	$94,203,057	$94,859,569
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	1,521,152	648,963	(2,620,920)	(307,012)	(636,411)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	750,000	750,000	1,250,000	1,250,000	799,920
Transfers in	15,679	53,849	15,290	0	0
Transfers out	(811,602)	(8,678)	0	(74,559)	0
Total other financing sources (uses)	(45,923)	795,171	1,265,290	1,175,441	799,920
Net Change in Fund Balance	1,475,229	1,444,134	(1,355,630)	868,429	163,509
Fund Balance, July 1	4,773,786	3,329,652	4,685,282	3,816,853	3,653,344
Fund Balance, June 30	$6,249,015	$4,773,786	$3,329,652	$4,685,282	$3,816,853

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis

Capital Leases

As of June 30, 2012, the Board has capital leases outstanding with payments due through year ending June 30, 2017, totaling $3,410,771.

Operating Leases

As of June 30, 2012, the Board has no operating leases outstanding.

Short Term Debt

As of June 30, 2012, the Board has no short term debt outstanding.

Long Term Debt

The following table outlines the outstanding long term debt of the Board as of June 30, 2012.

Fiscal Year Ending	Principal	Interest	Total
2013	$2,845,000	$2,614,556	$5,459,556
2014	3,585,000	2,525,701	6,110,701
2015	3,655,000	2,425,981	6,080,981
2016	3,745,000	2,315,179	6,060,179
2017	3,900,000	2,191,274	6,091,274
2018	3,965,000	2,061,791	6,026,791
2019	4,020,000	1,921,451	5,941,451
2020	4,095,000	1,770,471	5,865,471
2021	4,150,000	1,614,996	5,764,996
2022	5,110,000	2,893,849	8,003,849
2023	4,470,000	2,684,926	7,154,926
2024	4,160,000	2,490,916	6,650,916
2025	4,080,000	2,301,816	6,381,816
2026	4,205,000	2,109,891	6,314,891
2027	3,300,000	1,919,985	5,219,985
2028	3,400,000	1,757,435	5,157,435
2029	3,450,000	1,588,635	5,038,635
2030	3,500,000	1,415,873	4,915,873
2031	3,520,000	1,241,203	4,761,203
2032	3,650,000	1,061,295	4,711,295
2033	3,725,000	874,595	4,599,595
2034	3,900,000	681,445	4,581,445
2035	4,000,000	481,695	4,481,695
2036	4,000,000	279,695	4,279,695
2037	2,000,000	133,695	2,133,695
2038	1,971,000	44,348	2,015,348
TOTALS	$96,401,000	$43,402,698	$139,803,698

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years. (See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations"). The following is a summation of the Board's debt limitations as of December 31, 2013:

Average Equalized Real Property Valuation (2010, 2011, and 2012)	$7,637,133,973
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	$305,485,359
Less: Bonds and Notes Authorized and Outstanding	96,401,000
Remaining Limitation of Indebtedness	$209,084,359
Percentage of Net School Debt to Average Equalized Valuation	1.26%

Source: Comprehensive Annual Financial Report of the School District

INFORMATION REGARDING THE TOWNSHIP

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

General Information

The Township of Livingston, incorporated in the year 1813, is an attractive upper middle-class residential community located in western Essex County, approximately eight miles from the City of Newark, New Jersey, and nineteen miles from New York City. Its area of 13.88 square miles makes it geographically the second largest community in the County, being exceeded only by Newark. Its residents include a substantial number of business and professional people who commute to Newark and New York, as well as people who work in industries in nearby communities. Approximately 93.5% of homes are owner occupied. The Township has no passenger train service, but has bus transportation to the surrounding communities and to Newark and New York. Commuters to Newark and New York may also travel by bus or private car to nearby municipalities and take N.J. Transit.

The Township is presently ninety-five percent developed and its development has closely followed the Master Plan of 1960 as amended in 1977 and 1985.

Form of Government

Livingston Township operates under the Council-Manager form of government. Under this system, a professionally trained manager is responsible to an elected five-member council for the administration of Township affairs. Equalized valuations (true value) of real estate in the Township were certified by the County Board of Taxation at $7,808,690,155 for 2011. Tax collection in 2011 was 98.59 percent of the tax levy. Township debt is 1.170 percent of statutory valuations as of December 31, 2011.

Public Works

The Township has 107.14 miles of paved streets, 135.26 miles of water mains and 137.553 miles of sanitary sewers. The water pollution control facility has been completely modernized and rehabilitated. Water facilities are owned and operated by the Township on a utility basis. Costs of sewer lines are largely recovered by assessments against properties benefitted and sewer maintenance and treatment costs are offset by revenue from sewer rental charges. Gas and electric services are provided by privately-owned public utility companies.

Public Safety

Livingston is served by an efficient public safety department with outstanding police and fire divisions. Fire insurance rates for the Township were reduced in recent years as a result of a survey of fire protection facilities by insurance underwriters.

Retirement Systems

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

Pension Information

Employees, who are eligible to participate in a pension plan, are enrolled in the PERS or the PFRS, Department of the State of New Jersey. The State Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2012, which is based upon the annual billings, received from the State, amounted to $1,461,199 for PERS and $2,490,103 for PFRS.

Employment and Unemployment Comparisons

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

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Township				
2012	15,332	14,383	949	6.2%
2011	15,181	14,257	924	6.1%
2010	15,229	14,255	974	6.4%
2009	14,639	13,724	915	6.3%
2008	14,800	14,284	516	3.5%
County				
2012	372,009	331,862	40,147	10.8%
2011	369,144	328,953	40,191	10.9%
2010	369,925	328,916	41,009	11.1%
2009	366,923	329,331	37,592	10.2%
2008	365,964	341,818	24,146	6.6%
State				
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%
2009	4,536,700	4,118,400	418,300	9.2%
2008	4,496,700	4,251,200	245,500	5.5%

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

Income (as of 2010)

	Township	County	State
Median Household Income	$133,304	$55,876	$69,811
Median Family Income	149,648	69,490	84,904
Per Capita Income	63,122	32,149	34,858

Source: US Bureau of the Census 2010

Population

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

	Township		County		State	
Year	Population	Percent Change	Population	Percent Change	Population	Percent Change
2010	29,366	7.21%	783,969	-1.22%	8,791,894	4.49%
2000	27,391	2.94	793,633	1.98	8,414,350	8.85
1990	26,609	-5.10	778,206	-8.59	7,730,188	4.96
1980	28,040	-6.93	851,304	-8.71	7,365,001	2.75
1970	30,127	--	932,526	--	7,168,164	--

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

Largest Taxpayers

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

Taxpayers	2012 Assessed Valuation	% of Total Assessed
Livingston Mall	$140,000,000	1.92%
Livingston Circle Associates	60,602,600	0.83%
CIT Group Inc.	45,938,500	0.63%
Formosa Plastics, Corp., USA	32,969,800	0.45%
Livingston Retirement Care	30,250,300	0.41%
Esplanade Livingston, LLC	30,195,000	0.41%
Eastgreen, Inc.	30,175,000	0.41%
Trustee Sears Facilities	29,469,900	0.40%
Daven Ave. LLC	25,714,100	0.35%
Care Two, LLC	22,440,000	0.31%
Total	$447,755,200	6.14%

Source: School District CAFR & Municipal Tax Assessor

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year Percentage of
2012	$160,956,610	$157,715,307	97.99%
2011	159,830,355	156,977,135	98.21%
2010	155,524,569	153,013,338	98.39%
2009	150,628,372	148,017,385	98.27%
2008	143,076,924	141,569,828	98.95%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2012	$49,934	$4,840,203	$4,890,137	3.04%
2011	37,383	3,139,944	3,177,326	1.99%
2010	24,134	2,331,399	2,355,533	1.51%
2009	4,531	1,601,776	1,606,306	1.07%
2008	4,335	987,200	991,535	0.69%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

Year	Amount
2012	$260,950
2011	260,950
2010	260,950
2009	260,950
2008	260,950

Source: Annual Audit Reports of the Township

Tax Rates per $100 of Net Valuations Taxable and Allocations

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

Year	Municipal	Municipal Library	Municipal Open Space	County	County Open Space	Local School	Total Taxes
2012	$0.374	$0.035	$0.005	$0.454	$0.015	$1.321	$2.204
2011	0.364	0.035	0.005	0.442	0.016	1.277	2.139
2010	0.390	0.000	0.005	0.412	0.016	1.236	2.059
2009R	0.373	0.000	0.005	0.402	0.016	1.178	1.974
2008	2.763	0.000	0.03	3.066	0.124	8.789	14.772

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

Valuation of Property

Year	Aggregate Assessed Valuation of Real Property	Ratio of Assessed to True Value	Aggregate True Value of Real Property	Equalized Valuation
2012	$7,282,366,974	98.30%	$7,408,308,214	$7,420,448,114
2011	7,436,775,574	97.31	7,642,354,921	7,654,494,821
2010	7,518,010,574	95.64	7,860,738,785	7,872,878,685
2009R	7,597,154,400	95.24	7,976,852,583	7,988,992,483
2008	959,946,400	11.93	8,046,491,199	8,047,854,199

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

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2012	$155,825,800	$5,925,469,396	$740,300	$1,084,979,478	$112,693,200	$2,658,800	$7,282,366,974
2011	163,904,500	5,947,204,496	740,300	1,206,462,078	115,804,400	2,658,800	7,436,774,574
2010	169,485,100	5,967,646,796	740,300	1,256,161,078	121,318,500	2,658,800	7,518,010,574
2009R	202,453,000	5,983,723,300	740,300	1,285,906,400	121,672,600	2,658,800	7,597,154,400
2008	17,553,700	785,266,900	98,400	141,261,400	15,766,000	0	959,946,400

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

Township Indebtedness as of December 31, 2012

General Purpose Debt	
Serial Bonds	$66,762,963
Bond Anticipation Notes	24,360,000
Bonds and Notes Authorized but Not Issued	3,975,805
Other Bonds, Notes and Loans	331,778
Total:	$95,430,545
Local School District Debt	
Serial Bonds	$93,911,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	5,210,849
Total:	$99,121,849
Self-Liquidating Debt	
Serial Bonds	$6,733,000
Bond Anticipation Notes	2,195,000
Bonds and Notes Authorized but Not Issued	970,000
Other Bonds, Notes and Loans	152,944
Total:	$10,050,944
TOTAL GROSS DEBT	**$204,603,338**
Less: Statutory Deductions	
General Purpose Debt	$325
Local School District Debt	99,121,849
Self-Liquidating Debt	10,050,944
Total:	$109,173,118
TOTAL NET DEBT	**$95,430,221**

Source: 2012 Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2012)

Name of Related Entity	Related Entity Debt Outstanding	Township Percentage [1]	Township Share
Local School District	$99,121,849	100.00%	$99,121,849
County	328,290,324	8.82%	28,955,207
Net Indirect Debt			$128,077,056
Net Direct Debt			95,430,221
Total Net Direct and Indirect Debt			**$223,507,276**

Debt Limit

Average Equalized Valuation Basis (2010, 2011, 2012)	$7,637,133,973
Permitted Debt Limitation (3 1/2%)	267,299,689
Less: Net Debt	95,430,221
Remaining Borrowing Power	$171,869,468
Percentage of Net Debt to Average Equalized Valuation	1.25%
Gross Debt Per Capita based on 2010 population of 29,366	$6,967
Net Debt Per Capita based on 2010 population of 29,366	$3,250

Source: 2012 Annual Debt Statement of the Township

[1] Township percentage based on the Township's share of total equalized valuation in the County

APPENDIX B

Financial Statements of The Board of Education of the Township of Livingston in the County of Essex, New Jersey

Livingston Board of Education

Livingston Township, New Jersey

Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

Prepared by Livingston Township School District
Business Office
Mr. Steven K. Robinson
Business Administrator, Board Secretary
Ms. Patricia Ramos
Manager of Accounting and Finance

Table of Contents

WISS
ACCOUNTANTS
CONSULTANTS

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Livingston Board of Education
Livingston, New Jersey
County of Essex

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 Livingston Board of Education, County of Essex, New Jersey (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and requirements 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 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 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 District as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

WISS & COMPANY, LLP • 485C Route 1 South, Suite 250, Iselin, NJ 08830 • Phone: 732.283.9300 • Fax: 732.283.3436
ISELIN • LIVINGSTON • FLEMINGTON • NEW YORK
www.wiss.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Scott A. Clelland

Scott A. Clelland
Licensed Public School Accountant
No. 1049

WISS & COMPANY, LLP

November 29, 2012
Iselin, New Jersey

Livingston Board of Education
Livingston, New Jersey

Management's Discussion and Analysis (Unaudited)
Year ended June 30, 2012

This management discussion and analysis of the Livingston Board of Education's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements, notes and additional information in the transmittal letter to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information and required by the Governmental Accounting Standards Board. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal 2012 are as follows:

- In total, net assets increased $15,283,745 which represents a 42% increase from 2011.

- At the District-Wide level, general revenues accounted for $106,925,012 in revenue or 86.9% percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $16,065,027 or 13.1% of total revenues of $122,990,039. District-wide expenses were $107,706,294 for the year ended June 30, 2012.

- At the Fund level, the General Fund expenditures totaled $99,862,790, including $7,302,384 in State on-behalf TPAF pension and social security contributions and $2,923,805 in capital outlay. Grant related expenditures totaled $2,392,965 in the Special Revenue Fund. Capital Project Fund expenditures totaled $31,207,298 and debt service expenditures were $6,537,840.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Livingston Board of Education as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The three components that comprise the District's basic financial statements are: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The CAFR also contains required and other supplementary information in addition to the basic financial statements themselves.

Reporting the School District as a Whole

District-wide Statements

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the entire District, and are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the District's net assets and changes in those assets.

In the Statement of Net Assets and Statement of Activities, the District presents governmental activities and business-type activities. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

The district-wide financial statements can be found on pages 12 and 13 of this report.

Reporting the School District's Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary fund and fiduciary funds.

Governmental Funds

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund and as other supplementary information for the debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The District uses an enterprise fund to account for its operations of its food service program.

The basic enterprise fund financial statements can be found on pages 17-19 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses a trust fund to account for its unemployment compensation fund.

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 to 49 of this report.

Other information

The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 50 - 60 of this report.

The School District as a Whole

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

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

Table 1 provides a summary of the District's net assets at June 30, 2012 and 2011.

Table 1

Livingston Board of Education

Net Assets

	2012			2011		
	Governmental Activities	**Business-type Activities**	**Total**	**Governmental Activity**	**Business-type Activities**	**Total**
Current and other assets	$ 22,216,863	$ 226,315	$ 22,443,178	$ 29,251,322	$ 202,584	$ 29,453,906
Capital assets, net	146,605,858	26,263	146,632,121	116,935,430	53,567	116,988,997
Total assets	168,822,721	252,578	169,075,299	146,186,752	256,151	146,442,903
Current liabilities	17,077,227	134,538	17,211,765	6,472,956	134,298	6,607,254
Long-term liabilities	99,853,004	890	99,853,894	103,089,283	20,471	103,109,754
Total liabilities	116,930,231	135,428	117,065,659	109,562,239	154,769	109,717,008
Net assets:						
Invested in capital assets, net of related debt	51,502,583		51,502,583	37,884,661		37,884,661
Restricted for debt service	10,013		10,013			
Restricted for other purposes	1,787,522		1,787,522	1,529,895		1,529,895
Unrestricted (deficit)	(1,407,628)	117,150	(1,290,478)	(2,790,043)	101,382	(2,688,661)
Total net assets	$ 51,892,490	$ 117,150	$ 52,009,640	$ 36,624,513	$ 101,382	$ 36,725,895

The largest portion of the District's net assets is its invested in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable and related unamortized premium and deferred interest costs on the 2011 fiscal year refunding of bonds and obligations under capital leases) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The total net assets of the District increased by $15,283,745 during the current fiscal year. The majority of the increase is attributable to the increase in capital assets net of related debt due to the capitalization of expenditures related to the District's ongoing construction projects. Current and other assets decreased mainly due to the cash utilized to pay for ongoing referendum projects that began in May 2010.

Capital assets, net, increased mainly due to the capitalization of expenditures relating to the District's ongoing high school renovations and other referendum projects. Current liabilities increased due to the issuance $9,250,000 of grant anticipation notes. Long-term liabilities decreased mainly due to the payment of bonds principal in the 2012 fiscal year. Restricted net assets decreased mainly due to funds available in the capital projects fund being utilized and less funds remain.

Table 2 presents changes in net assets for the years ended June 30, 2012 and 2011:

Table 2
Livingston Board of Education
Changes in Net Assets

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activity	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 364,865	$ 946,322	$ 1,311,187	$ 231,253	$ 955,095	$ 1,186,348
Operating grants and contributions	2,355,452		2,355,452	2,326,694		2,326,694
Capital grants and contributions	12,398,388		12,398,388	4,427,857		4,427,857
Total program revenues	15,118,705	946,322	16,065,027	6,985,804	955,095	7,940,899
General revenues:						
Property taxes	95,135,065		95,135,065	93,008,740		93,008,740
Federal aid not restricted to specific purposes	147,404		147,404			
State aid not restricted to specific purposes	10,816,707		10,816,707	8,453,252		8,453,252
Interest earnings	96,553	787	97,340	65,852	247	66,099
Rental income	487,216		487,216	418,764		418,764
Miscellaneous	241,280		241,280	40,180		40,180
Total general revenues	106,924,225	787	106,925,012	108,972,592	955,342	109,927,934
Expenses:						
Instructional services	66,272,731		66,272,731	63,878,756		63,878,756
Support services	36,731,067	942,943	37,674,010	34,705,818	899,767	35,605,585
Interest on long-term debt	3,759,553		3,749,553	3,534,830		3,534,830
Total expenses	106,763,351	942,943	107,706,294	102,119,404	899,767	103,019,171
Change in net assets before transfer	15,279,579	4,166	15,283,745	6,853,188	55,575	6,908,763
Transfers	(11,602)	11,602	-	(8,678)	8,678	-
Change in net assets	15,267,977	15,768	15,283,745	6,844,510	64,253	6,908,763
Net assets – beginning of year	36,624,513	101,382	36,725,895	29,780,003	37,129	29,817,132
Net assets – end of year	$ 51,892,490	$ 117,150	$ 52,009,640	$ 36,624,513	$ 101,382	$ 36,725,895

Property taxes made up 77.9% of revenues for governmental activities for the Livingston Board of Education for fiscal year 2012. Federal and state grants accounted for another 8.9% of revenue.

The total cost of all programs and services was $107,706,294. Instruction comprised 61.5% of District expenses. Instructional expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Property taxes increased within allowable caps are permitted by New Jersey regulations.

Capital grants and contributions has increased due to the recognition of state revenue related to the New Jersey Schools Development Authority funding expended during the 2012 fiscal year.

Business-type program expenses increased due to increased participation in the District's food service program.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Financial Analysis of the District's Funds

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

General Fund. The general fund is the main operating fund of the District. At the end of the current fiscal year, restricted fund balances were $1,787,522, assigned fund balances were $1,618,550 and the unassigned fund balance was $2,842,943 while the total fund balance was $6,249,015 (B-1). For the year ended June 30, 2012, the District generate excess surplus in the amount of $257,627.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the General Fund, Special Revenue Fund and Debt Service Fund for the fiscal year ended June 30, 2012, and the amount and percentage of increases in relation to prior year revenues.

Revenue	Amount	Percent of Total	Increase from 2011	Percent of Increase
Local sources	$ 96,208,711	87.8%	$ 2,452,663	2.6%
State sources	11,320,847	10.3	2,346,043	26.1
Federal sources	1,995,202	1.9	180,754	9.1
Total	$ 109,524,760	100.0%	$ 4,979,460	4.8%

The increase in local revenue was due to increases in property taxes needed to fund the additional expenditures associated with higher operating costs.

The increase in state sources is mainly due to an increase of general state aid by the State of New Jersey.

The increase in federal sources is mainly attributable to Education Jobs funds received in the current fiscal year.

The following schedule represents a summary of general fund, special revenue fund and debt service fund expenditures for the year ended June 30, 2012, and the percentage of increases in relation to prior year expenditures.

Expenditures	Amount	Percent of Total	Increase from 2011	Percent of Increase
Current expense:				
Instruction	$ 50,317,909	46.3%	$ 802,442	1.6%
Undistributed expenditures	48,976,528	45.0	1,820,048	3.9
Capital outlay	2,961,318	2.7	642,244	27.7
Debt service	6,537,840	6.0	1,632,524	33.3
Total	$ 108,793,595	100.0%	$ 4,897,258	4.7%

The increase in instruction and undistributed expenditures was the result of an increase in operating costs, including contractual salary and health benefit increases.

Capital outlay expenditures increased due to a capital lease entered into in the amount of $750,000.

The debt service fund expenditures increased due to the additional bonds that were issued during the 2011 fiscal year, however, principal and interest was not due until the 2012 fiscal year.

General Fund Budgetary Highlights

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

Over the course of the year, the District revised the annual operating budget through transfers approved by the Board.

Significant budgetary transfers were made between budgetary line items and approved by the Board for various reasons including:

- Learning and/or language disabilities – an increase of $437,234 is mainly due to an increase in instructional aides for special education students.
- Resource room/ center – an increase of $264,760 is mainly attributable to an increase of resource room staff to provide for special education students that remained in the District.
- Undistributed instruction – tuition – a decrease of $403,725 is due to a decrease in special education students being sent out of District to attend other schools.
- Other support services-students-extraordinary services – an increase of $379,587 is due to the increase of special education service provided to students remaining in District.
- Unallocated benefits – employee benefits – a decrease of $841,883 is attributable to the anticipated increase in health benefit premiums being less than anticipated when the budget was constructed and an increase in the amount employees must contribute.

Capital Assets

At the end of fiscal year 2012, the District had $146,632,121 invested in land, land improvements, construction in progress, building and building improvements, machinery, equipment and vehicles, net of accumulated depreciation. The following presents a comparison for 2012 and 2011:

Capital Assets (Net of Depreciation)

	Year Ended June 30,			
	Governmental Activities		**Business-type Activities**	
	2012	**2011**	**2012**	**2011**
Land	$ 3,253,263	$ 3,253,263		
Construction in progress	43,778,926	69,742,507		
Land improvements	848,674	574,754		
Building and building improvements	95,796,027	40,182,614		
Machinery, equipment and vehicles	2,928,968	3,182,292	$ 26,263	$ 53,567
Total	$ 146,605,858	$ 116,935,430	$ 26,263	$ 53,567

For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration and Long-term Liabilities

At June 30, 2012, the District had $104,574,530 of long-term liabilities. Of this amount, $4,385,419 relates to compensated absences; $3,410,771 relates to various capital leases payable; $26,263 of a purchase agreement payable in the enterprise fund; $96,716,000 of serial bonds for school construction; $719,794 for the unamortized premium on bonds; and $683,717 is for the unamortized deferred interest costs on the loss on the refunding of bonds.

At June 30, 2012, the District's overall remaining limitation of indebtedness was $209,317,754. For more detailed information, please refer to Note 5 to the basic financial statements.

For the Future

The Livingston Board of Education is presently in good financial condition. The District is proud of its community support of the public schools.

In conclusion, the Livingston Board of Education has committed itself to sound financial practices. The District plans to continue to improve its fiscal management to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Steven Robinson, Business Administrator/Board Secretary at Livingston Board of Education, 11 Foxcroft Drive, Livingston, New Jersey 07039.

Livingston Board of Education

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 3,088,428	$ 211,854	$ 3,300,282
Investments (SRECs)	141,616		141,616
Accounts receivable	17,248,595	7,371	17,255,966
Inventories		7,090	7,090
Deferred charges	208,329		208,329
Restricted assets:			
Cash and cash equivalents	1,529,895		1,529,895
Capital assets, non depreciable	47,032,189		47,032,189
Capital assets, depreciable, net	99,573,669	26,263	99,599,932
Total assets	168,822,721	252,578	169,075,299
Liabilities			
Accounts and retainage payable	1,176,602	85,239	1,261,841
Notes payable	9,250,000		9,250,000
Accrued interest payable	1,833,647		1,833,647
Intergovernmental payables:			
State	102,951		102,951
Unearned revenue	18,764	23,926	42,690
Current portion of long-term obligations	4,695,263	25,373	4,720,636
Noncurrent portion of long-term obligations	99,853,004	890	99,853,894
Total liabilities	116,930,231	135,428	117,065,659
Net assets			
Invested in capital assets, net of related debt	51,502,583		51,502,583
Restricted for:			
Debt service	10,013		10,013
Other purposes	1,787,522		1,787,522
Unrestricted (deficit)	(1,407,628)	117,150	(1,290,478)
Total net assets	$ 51,892,490	$ 117,150	$ 52,009,640

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Govermental Acitivites	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Governmental activities							
Instruction	$ 66,272,731	$ 53,985	$ 1,228,356		$ (64,990,390)		$ (64,990,390)
Support services:							
Attendance/social work	87,045				(87,045)		(87,045)
Health services	1,250,211				(1,250,211)		(1,250,211)
Other support services	8,969,414		1,127,096		(7,842,318)		(7,842,318)
Improvement of instruction	2,474,874				(2,474,874)		(2,474,874)
Other support: instructional staff	602,057				(602,057)		(602,057)
School library	1,534,227				(1,534,227)		(1,534,227)
General administration	1,602,967				(1,602,967)		(1,602,967)
School administration	5,319,153				(5,319,153)		(5,319,153)
Required maintenance of plant services	1,679,427				(1,679,427)		(1,679,427)
Operation of plant	6,743,825			$ 12,398,388	5,654,563		5,654,563
Student transportation	3,327,734	310,880			(3,016,854)		(3,016,854)
Central services	1,805,295				(1,805,295)		(1,805,295)
Administrative information technology	1,334,838				(1,334,838)		(1,334,838)
Interest on long-term debt	3,759,553				(3,759,553)		(3,759,553)
Total governmental activities	106,763,351	364,865	2,355,452	12,398,388	(91,644,646)		(91,644,646)
Business-type activity							
Food service	942,943	946,322				$ 3,379	3,379
Total business-type activity	942,943	946,322				3,379	3,379
Total primary government	$ 107,706,294	$ 1,311,187	$ 2,355,452	$ 12,398,388	(91,644,646)	3,379	(91,641,267)

	Govermental Acitivites	Business-type Activities	Total
General revenues:			
Property taxes, levied for general purposes	90,069,759		90,069,759
Property taxes, levied for debt service	5,065,306		5,065,306
Unrestricted federal sources	147,404		147,404
Unrestricted state sources	10,816,707		10,816,707
Investment earnings	96,553	787	97,340
Rental income	487,216		487,216
Miscellaneous income	241,280		241,280
Transfers	(11,602)	11,602	-
Total general revenues and transfers	106,912,623	12,389	106,925,012
Change in net assets	15,267,977	15,768	15,283,745
Net assets—beginning of year	36,624,513	101,382	36,725,895
Net assets—end of year	$ 51,892,490	$ 117,150	$ 52,009,640

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Governmental Funds

Balance Sheet

June 30, 2012

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 2,558,536		$ 519,879	$ 10,013	$ 3,088,428
Accounts receivable:					
State	1,197,712		15,404,458		16,602,170
Federal	88,234	$ 528,453			616,687
Interfund	944,090				944,090
Other	29,738				29,738
Restricted assets:					
Cash and cash equivalents	1,529,895				1,529,895
Total assets	$ 6,348,205	$ 528,453	$ 15,924,337	$ 10,013	$ 22,811,008
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 85,849	$ 19,079	$ 410,160		$ 515,088
Retainage payable			648,173		648,173
Notes payable			9,250,000		9,250,000
Intergovernmental payables:					
State		102,951			102,951
Deferred revenue		18,764			18,764
Interfunds payable	13,341	387,659	556,431		957,431
Total liabilities	99,190	528,453	10,864,764		11,492,407
Fund balances:					
Restricted for:					
Capital reserve account	1,206,560				1,206,560
Emergency reserve account	323,335				323,335
Excess fund balance-current year	257,627				257,627
Capital projects			5,059,573		5,059,573
Debt service				$ 10,013	10,013
Assigned to:					
Designated for subsequent years'	1,200,000				1,200,000
Other purposes	418,550				418,550
Unassigned	2,842,943				2,842,943
Total fund balances	6,249,015		5,059,573	10,013	11,318,601
Total liabilities and fund balances	$ 6,348,205	$ 528,453	$ 15,924,337	$ 10,013	

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $181,495,895 and the accumulated depreciation is $34,890,037.	146,605,858
Accrued interest on long-term bonds, notes and capital leases is not due and payable in the current period and therefore is not reported as a liability in the funds.	(1,833,647)
Solar renewable energy certificates were not available in the current period and therefore were not reported as assets in the funds.	141,616
Unamortized portion of debt issuance costs not reported as an asset in the funds.	208,329
Long-term liabilities, including bonds payable, capital leases, compensated absences and unamortized premium on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds and unamortized deferred interest costs are not reported as an asset in the funds.	(104,548,267)
Net assets of governmental activities	$ 51,892,490

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources:					
Local tax levy	$ 90,069,759			$ 5,065,306	$ 95,135,065
Tuition	53,985				53,985
Transportation fees from individuals	310,880				310,880
Interest on investments	80,874		$ 15,679		96,553
Rental income	487,216				487,216
Miscellaneous	89,651	$ 41,027		10,013	140,691
Total local sources	91,092,365	41,027	15,679	5,075,319	96,224,390
State sources	10,144,173	504,140	12,360,875	672,534	23,681,722
Federal sources	147,404	1,847,798			1,995,202
Total revenues	101,383,942	2,392,965	12,376,554	5,747,853	121,901,314
Expenditures					
Current:					
Instruction	41,957,792	1,228,356			43,186,148
Undistributed-current:					
Instruction	7,131,761				7,131,761
Attendance/social work	62,593				62,593
Health services	901,743				901,743
Support services	5,939,256	1,127,096			7,066,352
Improvement of instruction	1,792,477				1,792,477
School library	1,145,961				1,145,961
Instructional staff training	452,692				452,692
General administration	1,382,282				1,382,282
School administration	3,904,353				3,904,353
Required maintenance of plant services	1,298,926				1,298,926
Operation of plant	5,458,252				5,458,252
Student transportation	2,935,670				2,935,670
Central services	1,387,640				1,387,640
Administrative information technology	1,051,570				1,051,570
Unallocated benefits	12,833,633				12,833,633
On-behalf TPAF social security and pension contributions	7,302,384				7,302,384
Capital outlay	2,923,805	37,513	31,207,298		34,168,616
Debt service:					
Principal				2,385,000	2,385,000
Interest				4,152,840	4,152,840
Total expenditures	99,862,790	2,392,965	31,207,298	6,537,840	140,000,893
Excess (deficiency) of revenues over (under) expenditures	1,521,152	-	(18,830,744)	(789,987)	(18,099,579)
Other financing sources (uses):					
Capital leases (non-budgeted)	750,000				750,000
Transfers in	15,679			800,000	815,679
Transfers out	(811,602)		(15,679)		(827,281)
Total other financing sources (uses)	(45,923)		(15,679)	800,000	738,398
Net change in fund balances	1,475,229	-	(18,846,423)	10,013	(17,361,181)
Fund balances, July 1	4,773,786	-	23,905,996	-	28,679,782
Fund balances, June 30	$ 6,249,015	$ -	$ 5,059,573	$ 10,013	$ 11,318,601

The reconciliation of the fund balances of government funds to the net assets of governmental activities in the statement of activities is presented in accompanying schedule (B-3).

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30,

Total net change in fund balances - governmental funds (from B-2)			$ (17,361,181)
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 additions exceeded depreciation in the period.			
	Capital additions	$32,962,233	
	Depreciation expense	(3,291,805)	29,670,428
Capital leases provide current financial resources to governmental funds, which has no effect on net assets.			(750,000)
In the statement of activities, interest on debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.			404,928
Repayments of bond and capital lease principal are expenditures 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.			3,540,548
In the statement of net assets and statement of activities the investment value of solar renewable energy certificates are presented at market value, and not portrayed in the governmental funds. This amount reflects the value at June 30, 2012.			141,616
Governmental funds report the effect of premiums on bonds and deferred interest costs 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 in the treatment of long-term debt and related items.			3,369
Issuance costs - current year amortization			(15,010)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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).			(366,721)
Change in net assets of governmental activities (A-2)			$ 15,267,977

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Enterprise Fund

Statement of Net Assets

January 0, 1900

		Major Fund
		Food Service
Assets		
Current assets:		
Cash and cash equivalents	$	211,854
Accounts receivable:		
Other		7,371
Inventories		7,090
Total current assets		226,315
Non-current assets:		
Capital assets:		
Equipment		122,491
Accumulated depreciation		(96,228)
Total capital assets, net		26,263
Total assets		252,578
Liabilities		
Current liabilities:		
Accounts payable		85,239
Unearned revenue		23,926
Purchase agreement payable		25,373
Total current liabilities		134,538
Noncurrent liabilities:		
Purchase agreement payable		890
Total noncurrent liabilties		890
Total liabilities		135,428
Net assets		
Unrestricted		117,150
Total net assets	$	117,150

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Enterprise Fund

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30,

		Major Fund Food Service
Operating revenues:		
Local sources:		
Daily food sales-reimbursable programs	$	898,256
Special event income		48,066
Total operating revenues		946,322
Operating expenses:		
Salaries		325,462
Employee benefits		50,501
Supplies and materials		52,560
Purchased property services		66,946
Other purchased services		7,019
Depreciation		27,304
Cost of sales		385,075
Management fee		24,910
Miscellaneous		3,166
Total operating expenses		942,943
Operating income		3,379
Nonoperating revenues:		
Interest		787
Total nonoperating revenues		787
Income before transfers		4,166
Transfers in - Board contribution		11,602
Change in net assets		15,768
Total net assets-beginning		101,382
Total net assets-ending	$	117,150

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Enterprise Fund

Statement of Cash Flows

Year ended June 30,

	Major Fund Food Service
Cash flows from operating activities	
Receipts from customers	$ 951,885
Payments to employees and for employee benefits	(375,963)
Payments to suppliers	(541,124)
Net cash provided by operating activities	34,798
Cash flows from capital and related financing activities	
Payment of purchase agreement payable	(27,304)
Transfer in - board contribution	11,602
Net cash used in capital and related financing activites	(15,702)
Cash flows from investing activities	
Interest received	787
Net cash provided by investing activities	787
Net increase in cash and cash equivalents	19,883
Cash and cash equivalents, beginning of year	191,971
Cash and cash equivalents, end of year	$ 211,854
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 3,379
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,304
Change in assets and liabilities:	
(Increase) in accounts receivable	(2,853)
(Increase) in inventory	(995)
(Decrease) in accounts payable	(453)
Increase in unearned revenue	8,416
Net cash provided by operating activities	$ 34,798

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Fiduciary Funds

Statement of Fiduciary Net Assets

January 0, 1900

	Unemployment Compensation Trust	Agency Fund
Assets		
Cash and cash equivalents	$ 162,818	$ 2,020,090
Interfund receivable	13,341	
Total assets	176,159	$ 2,020,090
Liabilities		
Payroll deductions and withholdings payable		575,098
Summer escrow payable		1,065,622
Accounts payable	106,624	
Due to student groups		379,370
Total liabilities	106,624	$ 2,020,090
Net assets		
Held in trust for unemployment claims	$ 69,535	

See independent auditors' report and accompanying notes to the basic financial statements.

Livingston Board of Education
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30,

	Unemployment Compensation Trust
Additions	
Interest income	$ 31
Board contributions	315,874
Employee contributions	163,458
Total additions	479,363
Deductions	
Unemployment claims paid	409,828
Total deductions	409,828
Change in net assets	69,535
Net assets-beginning of the year	-
Net assets-end of the year	$ 69,535

See independent auditors' report and accompanying notes to the basic financial statements.

1. Summary of Significant Accounting Policies

The financial statements of the Livingston Board of Education (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Livingston Board of Education in the Township of Livingston, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

1. Summary of Significant Accounting Policies (continued)

B. District-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education has deemed every fund to be major for consistency of reporting.

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available

1. Summary of Significant Accounting Policies (continued)

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except property taxes, to be available if they are collected within six months of the end of the current fiscal year. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and capital leases, are recorded only when payment is due.

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year.

The District has reported the following major governmental funds:

General Fund: The general fund is the general operating fund of the District and 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, which are classified in the capital outlay subfund.

Special Revenue Fund: The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures 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 an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds and state aid that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

1. Summary of Significant Accounting Policies (continued)

The District reports the following major proprietary fund:

Food Service Enterprise Fund: This fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods and services to the students or other entities on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund types:

Fiduciary funds of the District include the unemployment compensation trust fund and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

Trust Funds: The unemployment compensation fund is accounted for in essentially the same manner as governmental funds. The unemployment compensation fund is used to account for contributions from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims.

Agency Funds (Payroll and Student Activities Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

In its accounting and financial reporting, the District follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

1. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges for sales of food. Operating expenses for the enterprise fund includes the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports deferred/unearned revenue on its balance sheet and statement of net assets. Deferred/unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred/unearned revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred/unearned revenue is removed from the balance sheet and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." The County Board of Taxation is responsible for the assessment of properties and the Township Tax Collector is responsible for the collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

1. Summary of Significant Accounting Policies (continued)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county superintendent and approved by the Department of Education. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). 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 referred in N.J.A.C. 6A:23. All budget amendments must be approved by School Board resolution.

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

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

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less from the date of purchase.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

1. Summary of Significant Accounting Policies (continued)

F. Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed to/from a particular fund in the District and that are due within one year.

G. Inventories

Inventories that benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase. The food service enterprise fund inventories are valued at cost, which approximates market, using first-in, first-out (FIFO) method.

H. Capital Assets

Capital assets, which include land, buildings, property, plant and equipment and construction in progress, are reported in the applicable governmental activities in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date of donation.

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

Property, plant and equipment of the District is depreciated using the straight line method (half year convention in first and last year). The following estimated useful lives are used to compute depreciation:

	Years
Machinery and equipment	3-20
Buildings	50-100
Building improvements	20
Solar panels	25
Vehicles	5-10

1. Summary of Significant Accounting Policies (continued)

I. Accrued Salaries and Wages

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2012, the amount earned by these employees and not disbursed as of June 30, 2012 was $1,065,622.

J. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District uses the "vesting method" for estimating its accrued sick and vacation leave liability.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the District is recorded in the district-wide financial statements and includes salary related payments. As of June 30, 2012, a liability existed for compensated absences in the district-wide financial statements in the amount of $4,385,419.

K. Deferred Revenue

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances.

1. Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

In the district-wide financial statements and enterprise fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized loss on a refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as either capital projects fund or debt service fund expenditures in the year of issuance.

M. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.

1. Summary of Significant Accounting Policies (continued)

2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
5) Unassigned - includes all spendable amounts not contained in the other classifications in 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 the 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 both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the $6,249,015 of fund balance in the General Fund, $1,206,560 has been restricted in the capital reserve account, $323,335 has been restricted in an emergency reserve account, $257,627 is restricted for current year excess fund balance, $418,550 of outstanding encumbrances is assigned to other purposes, $1,200,000 of fund balance has been assigned to designated for subsequent year's expenditures and $2,842,943 is unassigned.

1. Summary of Significant Accounting Policies (continued)

N. Net Assets

Net assets represent the difference between assets and liabilities in the district-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the district-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. Management Estimates

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

P. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey social security and post-retirement pension and medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

Q. Calculation of Excess Surplus

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve general fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The District generated excess fund balance during the 2012 fiscal year in the amount of $257,627.

R. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2012 through November 29, 2012, the date that the financial statements were issued, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

1. Summary of Significant Accounting Policies (continued)

On September 28, 2012, the District rolled over its grant anticipation note in the amount of $9,250,000 to obtain the State's share of the SDA construction projects in advance. Once the State's share is received, the funds will be utilized to pay off the note.

2. Reconciliation of District-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable and related unamortized premium, the unamortized deferred loss on refunding, capital leases payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds. The details of this difference are as follows:

Bonds payable	$	96,716,000
Deferred interest costs		(683,717)
Premium on bonds		719,794
Capital leases payable		3,410,771
Compensated absences		4,385,419
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$	104,548,267

3. Deposits and Investments

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

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

3. Deposits and Investments (continued)

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must

pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), New Jersey Asset and Rebate Management Fund (NJARM) and MBIA Class.

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

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

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

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

3. Deposits and Investments (continued)

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2012, the carrying amount of the District's deposits was $6,870,069 and the bank balance was $9,933,969. Of the bank balance, $265,580 was secured by federal depository insurance and the remaining balance of $9,668,389 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

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

a. Bonds and other obligations of the United States or obligations guaranteed by the United States.

b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.

c. Bonds or other obligations of the school district.

d. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA Class.

As of June 30, 2012, the District's investment balance of $141,616 was in Solar Renewable Energy Certificates.

3. Deposits and Investments (continued)

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF"). The NJCMF is administered by the State of New Jersey, Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The fair value of the District's portion in the pool is the same as the fair value of the pool shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty.

All investments in the Fund are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. The District has investments in the New Jersey Cash Management Fund in the amount of $143,016, which are classified as cash equivalents and are considered uncategorized.

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF which is a pooled investment is exempt from custodial credit risk exposure. The District does not have a policy for custodial credit risk.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The average maturity of the District's sole investment, the NJCMF, is less than one year.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2012, all of the District's investments were invested in NJCMF.

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2012:

	Beginning Balance	Increases	Retirements /Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 69,742,507	$ 31,085,400	$(57,048,981)	$43,778,926
Land	3,253,263			3,253,263
Total capital assets, not being depreciated	72,995,770	31,085,400	(57,048,981)	47,032,189
Capital assets, being depreciated:				
Land improvements	2,457,301	316,224		2,773,525
Buildings and building improvements	63,482,370	780,150	57,048,981	121,311,501
Machinery, equipment and vehicles	9,598,221	780,459		10,378,680
Total capital assets being depreciated	75,537,892	1,876,833	57,048,981	134,463,706
Less accumulated depreciation for:				
Land improvements	(1,882,547)	(42,304)		(1,924,851)
Buildings and building improvements	(23,299,756)	(2,215,718)		(25,515,474)
Machinery, equipment and vehicles	(6,415,929)	(1,033,783)		(7,449,712)
Total accumulated depreciation	(31,598,232)	(3,291,805)	-	(34,890,037)
Total capital assets, being depreciated, net	43,939,660	(1,414,972)	57,048,981	99,573,669
Governmental activities capital assets, net	$116,935,430	$29,670,428	$ -	$146,605,858

4. Capital Assets (continued)

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

Current:	
Instruction	$ 1,795,897
Undistributed – current:	
Instruction	296,574
Attendance/social work	2,603
Health services	37,499
Support services	293,854
Improvement of instruction	74,540
Other support – instruction staff	18,825
School library	47,655
General administration	57,482
School administration	162,363
Required maintenance of plant services	54,016
Operation of plant	226,982
Student transportation	122,080
Central services	57,705
Administrative information technology	43,730
Total depreciation expense – governmental activities	$ 3,291,805

The following is a summary of business-type activity changes in capital assets for the year ended June 30, 2012.

	Beginning Balance	Increases	Retirements	Ending Balance
Business-type activity:				
Capital assets, being depreciated:				
Equipment	$ 145,664		$ (23,173)	$ 122,491
Less accumulated depreciation for:				
Equipment	(92,097)	$ (27,304)	23,173	(96,228)
Total accumulated depreciation	(92,097)	(27,304)	23,173	(96,228)
Business-type activity capital assets, net	$ 53,567	$ (27,304)	$ -	$ 26,263

5. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences payable	$ 4,018,698	$ 607,539	$ 240,818	$ 4,385,419	$ 372,741
Deferred interest costs	(747,566)		(63,849)	(683,717)	(63,849)
Premium on bonds	787,012		67,218	719,794	67,218
Serial bonds payable	99,101,000		2,385,000	96,716,000	3,160,000
Obligations under capital leases	3,816,319	750,000	1,155,548	3,410,771	1,159,153
Governmental activities Long-term liabilities	$ 106,975,463	$ 1,357,539	$ 3,784,735	$ 104,548,267	$ 4,695,263
Business-type activities:					
Purchase agreement payable	$ 53,567	$ -	$ 27,304	$ 26,263	$ 25,373
Business-type activities Long-term liabilities	$ 53,567	$ -	$ 27,304	$ 26,263	$ 25,373

The debt service fund is utilized to liquidate the serial bonds payable. The general fund liquidates the liabilities associated with compensated absences and obligations under capital leases. The food service enterprise fund liquidates liabilities associated with the purchase agreement payable.

Bonds Payable

Bonds are authorized in accordance with State law or by the residents of the Township of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

In December 2009, a referendum was approved by the residents of the Township for facility upgrades, HVAC installation and solar panels for each school at a total cost of $64,684,477. Bonds were authorized by the referendum for a portion of the projects total cost. In August 2010, the District issued $9,000,000 of tax-exempt school bonds and $28,075,000 of Build America bonds. The Build America bonds are on the direct pay method and the District is responsible for the net interest payments which have been reduced by 35% under the Build America Bonds. The issuance of the Build America Bonds resulted in a savings of $9,384,040 in interest over the life of the bonds, which represents the federal portion of the interest.

5. Long-Term Liabilities (continued)

At June 30, 2012, there are bonds and notes authorized but not issued in the amount of $5,210,849.

In March 2010, the District issued $12,405,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As of June 30, 2012, $3,964,000 of defeased debt remains outstanding.

Principal and interest due on all bonds outstanding is as follows:

	Principal	Interest	Total
Year ending June 30:			
2013	$ 3,160,000	$ 3,574,079	$ 6,734,079
2014	3,585,000	3,479,318	7,064,318
2015	3,655,000	3,379,598	7,034,598
2016	3,745,000	3,268,797	7,013,797
2017	3,900,000	3,144,891	7,044,891
2018-2022	21,340,000	13,578,101	34,918,101
2023-2027	20,215,000	9,496,585	29,711,585
2028-2032	17,520,000	5,859,057	23,379,057
2033-2037	17,625,000	2,138,265	19,763,265
2038	1,971,000	44,348	2,015,348
	$ 96,716,000	$ 47,963,039	$ 144,679,039

Capital Leases Payable

The District has remaining capital leases totaling $3,410,771 with interest rates ranging from 1.94% to 5.60%. The terms of the leases are from three to fifteen years. The fifteen-year lease is for heating and electrical improvements in the schools. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2012.

5. Long-Term Liabilities (continued)

	Amount
Fiscal year:	
2013	$ 1,254,661
2014	1,075,120
2015	799,662
2016	317,948
2017	158,590
Total minimum lease payments	3,605,981
Less amount representing interest	(195,210)
Present value of net minimum lease payments	$ 3,410,771

Many of the assets acquired through the capital leases are below the capitalization threshold of the District. Assets capitalized through capital leases at June 30, 2012 are as follows:

Machinery, equipment and vehicles	$ 5,775,892
Less accumulated depreciation	(3,265,330)
Total	$ 2,510,562

6. Deferred Charges

In the governmental funds, debt issuance costs are recognized as expenditures in the year the bonds are issued. For the government-wide financial statements, debt issuance costs are amortized using the straight line method, which approximates the effective interest method, over the life of the specific bonds. The costs associated with the issues of the District's bonds amounted to $241,597. The amortization expense for the year ended June 30, 2012 amounted to $15,010 and the unamortized balance of the deferred charges at June 30, 2012 is $208,329.

7. Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a

7. Pension Plans (continued)

cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available for these systems to those employees under age 55 participating in TPAF with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

7. Pension Plans (continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2012, the State of New Jersey contributed $4,133,388 to the TPAF for post-retirement medical contributions on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $3,168,996 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the district-wide and fund financial statements.

The District's actuarially calculated contributions to PERS for each of the years ended June 30, 2012, 2011 and 2010 were $1,172,517, $1,129,395 and $944,481, respectively, equal to the required contributions for each year.

8. Post-Retirement Benefits

Plan Description

The School District contributes to the New Jersey State Health Benefits Program (the "SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits

8. Post-Retirement Benefits (continued)

Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy

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

The State is also responsible for the cost attributable to P.L. 1992, c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2012, 2011 and 2010 were $2,760,288, $2,776,194 and $2,925,445, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

9. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2012 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 944,090	$ 13,341
Special Revenue Fund		387,659
Capital Projects Fund		556,431
Fiduciary Fund – Unemployment Trust	13,341	
	$ 957,431	$ 957,431

The interfund between the general fund and special revenue fund represents a loan of cash to fund special revenue expenditures due to the reimbursement basis of federal awards. The interfund payable between the capital projects fund and general fund represents loans between the funds and interest earned that is transferred to the general fund. The interfund between the general fund and the unemployment trust fund represents budgeted funds in the general fund that were not turned over at June 30, 2012. All interfunds are expected to be liquidated within one year.

10. Purchase Agreement Payable – Enterprise Fund

During the 2009 fiscal year, the District contracted with Aramark, a third-party food management company, to operate the District's food service program. As part of the contract, Aramark agreed to expend up to $150,000 for food service equipment to be used on the District's premises. After completion of the purchase of the equipment, the District is required to reimburse Aramark for a term of five years.

As of the fiscal year ended June 30, 2012, food service equipment purchased by Aramark totaled $145,664. The remaining amount of $26,263 will be paid over the next two fiscal years, in the amounts of $25,373 and $890, respectively.

11. Economic Dependency

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

12. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2012 may be impaired. In addition, the District is receiving funding in the form of grants from the New Jersey Schools Development Authority (NJSDA) in connection with capital projects. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the District management, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

The District is also involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained insurance coverage to guard against these events which will provide minimum exposure to the District should they occur.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years.

13. Risk Management (continued)

New Jersey Unemployment Compensation Insurance

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

14. Transfers - Reconciliation

	Transfers In	Transfers Out
General Fund	$ 15,679	$ 811,602
Capital Projects Fund		15,679
Debt Service Fund	800,000	
Enterprise Fund - Food Service	11,602	
	$ 827,281	$ 827,281

The transfer to the general fund from the capital projects fund represents the current year interest earned in the capital projects fund due to the general fund. The transfer from the general fund to the enterprise fund – food service represents the Board contribution to fund certain costs of the enterprise fund. The transfer from the general fund to the debt service fund represents the transfer of capital reserve funds to fund debt service expenditures.

15. Capital Reserve Account

Capital reserve accounts may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by separate proposal at budget time or by a special question at one of the four special elections 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 account for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance, July 1, 2011	$ 1,206,560
Deposits:	
Approved by June Board resolution	800,000
Withdrawals:	
Approved by June Board resolution to transfer to debt service fund	800,000
Ending balance, June 30, 2012	$ 1,206,560

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 is $3,610,745.

16. Restricted Assets

The District has $1,529,895 of capital reserve and emergency reserve funds that are classified as restricted assets on the statement of net assets because they are restricted by the New Jersey Department of Education codified in Administrative Code to be utilized for future capital projects that have been approved in the District's Long-Range Facility Plan and emergencies.

17. Commitments

The District has ongoing construction projects as of June 30, 2012 relating to the approved referendum projects. At June 30, 2012, the District's outstanding construction commitments amounted to $2,805,222 and are recorded as a component of fund balance restricted for capital projects on the balance sheet in the capital projects fund.

The District also has $418,550 of contracts encumbered that are reported in the balance sheet of the general fund as assigned to other purposes.

18. Grant Anticipation Notes Payable

The District issued a note in the amount of $9,250,000 (Interest rate of 1.50%). The note was for cash flow needs in the Capital Projects Fund and was renewed on September 27, 2012 and will mature on September 26, 2013. The following presents the changes from the prior year:

Beginning Balance	Increases	Decreases	Ending Balance
$ -	$9,250,000	$ -	$9,250,000

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	$ 90,069,759		$ 90,069,759	$ 90,069,759	
Tuition	50,000		50,000	53,985	$ 3,985
Transportation fees from individuals	200,000		200,000	310,880	110,880
Interest on investments	100,000		100,000	80,874	(19,126)
Rental income	390,000		390,000	487,216	97,216
Miscellaneous	152,500		152,500	89,651	(62,849)
Total revenues - local sources	90,962,259		90,962,259	91,092,365	130,106
State sources:					
Extraordinary aid				1,113,073	1,113,073
On behalf TPAF pension contribution (non-budgeted)				4,133,388	4,133,388
Reimbursed TPAF social security (non-budgeted)				3,168,996	3,168,996
Additional nonpublic transportation aid				27,465	27,465
Categorical Special education aid	917,527		917,527	1,835,054	917,527
Total - state sources	917,527		917,527	10,277,976	9,360,449
Federal Sources:					
Medicaid Reimbursement	19,517		19,517		(19,517)
Education Jobs	142,926	$ 4,478	147,404	147,404	-
Total: federal sources	162,443	4,478	166,921	147,404	(19,517)
Total revenues	92,042,229	4,478	92,046,707	101,517,745	9,471,038
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	32,726		32,726	32,582	144
Kindergarten	1,435,801	1,408	1,437,209	1,437,209	-
Grades 1-5	10,181,102	(1,819)	10,179,283	10,171,903	7,380
Grades 6-8	7,201,904	41,333	7,243,237	7,243,235	2
Grades 9-12	11,714,131	(116,965)	11,597,166	11,597,165	1
Home instruction:					
Salaries of teachers	60,000	73,024	133,024	125,917	7,107
Purchased professional-educational services	15,000	4,020	19,020	19,020	-
Undistributed instruction:					
Other salaries for instruction	380,580	(32,558)	348,022	347,349	673
Purchased professional-educational services	17,300	4,052	21,352	21,092	260
Purchased technical services	2,000	-	2,000	2,000	-
Other purchased services	42,111	(1,167)	40,944	38,319	2,625
General supplies	1,731,186	192,120	1,923,306	1,658,209	265,097
Textbooks	237,460	(63,023)	174,437	171,352	3,085
Other objects	17,750	(9,400)	8,350	5,767	2,583
Total instruction - regular programs	33,069,051	91,025	33,160,076	32,871,119	288,957

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Special education:					
Learning and/or language disabilities:					
Salaries of teachers	$ 322,107	$ (55,437)	$ 266,670	$ 266,670	
Other salaries for instruction	1,137,008	971,279	2,108,287	2,103,349	$ 4,938
Purchased prof-ed. services	471,655	(471,655)			
General supplies	9,000	(6,953)	2,047	2,047	
Total learning and/or language disabilities	1,939,770	437,234	2,377,004	2,372,066	4,938
Resource room/center:					
Salaries of teachers	3,024,652	271,060	3,295,712	3,295,712	
General supplies	26,000	(6,300)	19,700	14,414	5,286
Total resource room/center	3,050,652	264,760	3,315,412	3,310,126	5,286
Preschool disabilities - full time					
Salaries of teachers	222,740	3,349	226,089	226,089	
Other salaries for instruction	64,050	(1,004)	63,046	60,769	2,277
General supplies	5,000	-	5,000	4,395	605
Total preschool disabilities-full time	291,790	2,345	294,135	291,253	2,882
Total special education	5,282,212	704,339	5,986,551	5,973,445	13,106
Bilingual education:					
Salaries of teachers	362,878	11,154	374,032	374,031	1
Total bilingual education	362,878	11,154	374,032	374,031	1
Basic skills/remedial instruction:					
Salaries of teachers	571,368	(33,176)	538,192	538,192	-
General supplies	4,530	-	4,530	304	4,226
Total basic skills/remedial instruction	575,898	(33,176)	542,722	538,496	4,226
Vocational programs - local instruction:					
Salaries of teachers	99,619	(3,048)	96,571	96,571	-
Other purchased services	2,000	-	2,000	1,931	69
General supplies	8,000	-	8,000	7,852	148
Other objects	500	-	500	460	40
Total vocational programs	110,119	(3,048)	107,071	106,814	257

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
School - sponsored cocurricular activities:					
Salaries	$ 398,071	$ 47,539	$ 445,610	$ 445,610	
Purchased services	8,150	-	8,150	4,652	$ 3,498
Supplies and materials	25,500	-	25,500	20,831	4,669
Other objects	13,125	-	13,125	11,732	1,393
Total school - sponsored cocurricular activities	444,846	47,539	492,385	482,825	9,560
School - sponsored athletics - instruction:					
Salaries	699,335	42,810	742,145	742,144	1
Purchased services	161,246	(17,766)	143,480	127,078	16,402
Supplies and materials	70,300	12,248	82,548	79,718	2,830
Other objects	23,082	(16,744)	6,338	6,308	30
Total school - sponsored athletics - instruction	953,963	20,548	974,511	955,248	19,263
Other instructional programs:					
Purchased services	50,000	250	50,250	50,080	170
Total other instructional programs	50,000	250	50,250	50,080	170
Other supplemental/at-risk programs-instruction:					
Salaries of reading specialists	605,200	534	605,734	605,734	-
Total other supplemental/at-risk programs-instruction	605,200	534	605,734	605,734	-
Total instruction	41,454,167	839,165	42,293,332	41,957,792	335,540
Undistributed expenditures:					
Instruction:					
Tuition to other LEAs within the state-special	2,531,513	(260,496)	2,271,017	2,262,171	8,846
Tuition to private school for the disabled - within state	4,636,230	(117,029)	4,519,201	4,508,195	11,006
Tuition to priv sch for the disabled & oth LEAs-Spl, O/S St	387,601	(26,200)	361,401	361,395	6
Total undistributed instruction	7,555,344	(403,725)	7,151,619	7,131,761	19,858
Attendance and social work services:					
Salaries	82,531	(18,869)	63,662	62,593	1,069
Total attendance and social work services	82,531	(18,869)	63,662	62,593	1,069
Health services:					
Salaries	861,103	29,703	890,806	890,805	1
Supplies and materials	14,735	(1,683)	13,052	10,938	2,114
Total health services	875,838	28,020	903,858	901,743	2,115

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Speech, OT, PT & related services:					
Salaries	$ 778,344	$ (52,448)	$ 725,896	$ 725,896	
Purchased professional - educational services	350,000	66,636	416,636	416,636	
Supplies and materials	4,500	3,800	8,300	7,880	$ 420
Total speech, OT, PT & related services	1,132,844	17,988	1,150,832	1,150,412	420
Other support services - students - extra services:					
Purchased professional - educational services	330,000	379,587	709,587	709,557	30
Total other support services - students - extra services	330,000	379,587	709,587	709,557	30
Guidance:					
Salaries of other professional staff	1,553,639	11,485	1,565,124	1,565,124	-
Salaries of secretarial and clerical assistants	249,836	(5,317)	244,519	244,518	1
Other purchased professional and tech services	8,500	(4,519)	3,981	3,093	888
Other purchased services	5,600	(3,444)	2,156	1,402	754
Supplies and materials	84,615	(23,073)	61,542	61,539	3
Total guidance	1,902,190	(24,868)	1,877,322	1,875,676	1,646
Child study teams:					
Salaries of other professional staff	1,826,220	24,900	1,851,120	1,851,120	-
Salaries of secretarial and clerical assistants	223,385	-	223,385	223,097	288
Purchased professional - educational services	100,000	4,220	104,220	104,219	1
Other purchased prof. and tech. services	4,000	-	4,000	3,908	92
Miscellaneous purchased serv.	5,000	(3,842)	1,158	1,157	1
Supplies and materials	7,000	5,700	12,700	12,699	1
Other objects	10,000	(2,588)	7,412	7,411	1
Total child study teams	2,175,605	28,390	2,203,995	2,203,611	384
Improvement of instructional services:					
Salaries of supervisors of instruction	1,136,063	(2,148)	1,133,915	1,124,180	9,735
Salaries of other professional staff	259,336	(17,039)	242,297	242,296	1
Salaries of secretaries and clerical assistants	179,306	266	179,572	179,572	-
Salaries of facilitators, math & literacy coaches	186,272	8,952	195,224	195,224	-
Purchased professional - educational services	26,700	(5,085)	21,615	21,615	-
Other purchased services	1,935	(1,105)	830	830	-
Supplies and materials	34,492	(7,234)	27,258	26,382	876
Other objects	7,300	(4,922)	2,378	2,378	-
Total improvement of instructional services	1,831,404	(28,315)	1,803,089	1,792,477	10,612

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Educational media services/school library:					
Salaries	$ 982,025	$ (6,308)	$ 975,717	$ 975,717	
Other purchased services	19,139	(9,588)	9,551	8,931	$ 620
Supplies and materials	176,729	(14,341)	162,388	161,004	1,384
Other objects	309	-	309	309	-
Total educational media services/school library	1,178,202	(30,237)	1,147,965	1,145,961	2,004
Instructional staff training services:					
Salaries of supervisors of instruction	368,890	6,379	375,269	373,947	1,322
Purchased professional - educational services	20,000	8,140	28,140	28,140	-
Other purchased services	32,950	(165)	32,785	19,044	13,741
Supplies and materials	20,000	3,961	23,961	22,913	1,048
Other objects	8,000	950	8,950	8,648	302
Total instructional staff training services	449,840	19,265	469,105	452,692	16,413
Support services-general administration:					
Salaries	466,532	982	467,514	467,513	1
Legal Services	190,000	25,370	215,370	215,369	1
Other purchased prof. services	74,500	(9,150)	65,350	65,330	20
Purchased technical services	7,000	-	7,000	6,531	469
Communications/telephone	300,000	6,214	306,214	306,212	2
BOE other purchased services	1,000	(750)	250	250	-
Other purchased services	263,500	(40,249)	223,251	216,682	6,569
General supplies	27,500	(4,673)	22,827	22,543	284
BOE In-house training	8,000	(8,000)			
Miscellaneous expenditures	103,000	(17,959)	85,041	81,852	3,189
Total support services-general administration	1,441,032	(48,215)	1,392,817	1,382,282	10,535
Support services-school administration:					
Salaries of principals/ assistant principals	1,733,882	-	1,733,882	1,733,880	2
Salaries of other professional staff	445,093	-	445,093	445,092	1
Salaries of secretarial and clerical assistants	1,386,081	22,693	1,408,774	1,408,773	1
Purchased professional and technical services	30,500	(1,353)	29,147	28,716	431
Other purchased services	45,600	(19,229)	26,371	24,594	1,777
Supplies and materials	307,299	(38,930)	268,369	263,298	5,071
Total support services-school administration	3,948,455	(36,819)	3,911,636	3,904,353	7,283
Required maintenance for school facilities:					
Salaries	890,309	10,824	901,133	900,925	208
Cleaning, repair and maintenance services	241,050	2,441	243,491	241,389	2,102
General supplies	130,500	27,086	157,586	156,612	974
Total required maintenance for school facilities	1,261,859	40,351	1,302,210	1,298,926	3,284

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Operation and maintenance of plant services-					
Custodial services:					
Salaries	$ 2,525,956	$ 192,261	$ 2,718,217	$ 2,694,571	$ 23,646
Purchased professional and technical services	35,000	14,000	49,000	48,508	492
Cleaning, repair and maintenance services	100,000	-	100,000	99,088	912
Rental of Land	16,601	-	16,601	16,600	1
Other purchased property services	49,000	20,765	69,765	69,598	167
Insurance	310,000	3,855	313,855	313,573	282
General supplies	280,000	105,821	385,821	374,455	11,366
Energy (electricity)	1,900,000	(251,836)	1,648,164	1,615,276	32,888
Total custodial services	5,216,557	84,866	5,301,423	5,231,669	69,754
Operation and maintenance of plant services- care and upkeep of grounds:					
Salaries	59,633		59,633	59,370	263
Total care and upkeep of grounds	59,633		59,633	59,370	263
Operation and maintenance of plant services-security:					
Salaries	164,734	2,479	167,213	167,213	
Total security	164,734	2,479	167,213	167,213	
Total operation and maintenance of plant services	6,702,783	127,696	6,830,479	6,757,178	73,301
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - regular	789,021	(15,620)	773,401	773,400	1
Other than bet. home & sch - regular	269,023	-	269,023	236,958	32,065
Contracted services:					
Bet. home & sch. - vendors	6,000	1,136	7,136	7,126	10
Other than bet. home & sch - vendors	162,575	(42,381)	120,194	120,193	1
Special ed stds - vendors	1,300,000	146,852	1,446,852	1,440,070	6,782
Aid in lieu of payments	150,000	(27,950)	122,050	122,041	9
General supplies	190,000	39,298	229,298	229,292	6
Other objects	10,000	(3,000)	7,000	6,590	410
Total student transportation services	2,876,619	98,335	2,974,954	2,935,670	39,284
Undistributed expenditures - central services					
Salaries	1,033,599	(2,483)	1,031,116	1,031,116	
Purchased professional services	114,200	61,109	175,309	138,980	36,329
Misc purch serv	17,100	81	17,181	16,324	857
Supplies and materials	91,000	(15,596)	75,404	75,356	48
Interest for lease purchase agreements	122,742	-	122,742	119,612	3,130
Miscellaneous expenditures	7,000	-	7,000	6,252	748
Total central services	1,385,641	43,111	1,428,752	1,387,640	41,112
Admin. info. tech.					
Salaries	705,313	(19,133)	686,180	686,180	-
Purchased professional services	10,000	-	10,000	9,922	78
Other purchased services	314,000	15,195	329,195	328,750	445
Supplies and materials	10,000	16,720	26,720	26,718	2
Total admin. info. tech.	1,039,313	12,782	1,052,095	1,051,570	525

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Unallocated benefits - empl benefits:					
Social security contributions	$ 1,220,000	$ 21,932	$ 1,241,932	$ 1,241,932	
Other retirement contributions - PERS	1,200,000	(9,418)	1,190,582	1,190,582	
Other retirement contributions - Regular	-	64,326	64,326	64,324	$ 2
Worker's compensation	560,000	-	560,000	558,649	1,351
Health benefits	10,474,258	(1,137,367)	9,336,891	9,318,212	18,679
Unemployment compensation	100,000	216,273	316,273	315,874	399
Tuition reimbursement	141,690	2,371	144,061	144,060	1
Total unallocated benefits	13,695,948	(841,883)	12,854,065	12,833,633	20,432
Food service					
On-behalf TPAF pension contribution (non-budgeted)				4,133,388	(4,133,388)
Reimbursed TPAF social security contributions (non-budgeted)				3,168,996	(3,168,996)
Total on-behalf payments				7,302,384	(7,302,384)
Total undistributed expenditures	48,603,589	(677,757)	47,925,832	54,981,193	(7,055,361)
Total expenditures - current	90,057,756	161,408	90,219,164	96,938,985	(6,719,821)
Capital outlay:					
Equipment:					
Regular programs - instruction:					
Instruction	23,460	-	23,460	22,203	1,257
Grades 9-12	7,240	(4,000)	3,240	2,722	518
Non Instructional Services					
Noninstructional services	-	24,200	24,200	12,100	12,100
Total equipment	30,700	20,200	50,900	37,025	13,875
Facilities acquisition and construction services:					
Lease purchase agreements-principal	1,153,228	2,320	1,155,548	1,155,548	
Construction services	1,300,000	12,670	1,312,670	944,742	367,928
Other objects-assessment of debt service	36,490	-	36,490	36,490	-
Total facilities acquisition and construction services	2,489,718	35,190	2,504,708	2,136,780	367,928
Assets acquired under capital leases (non-budgeted)				750,000	(750,000)
Total expenditures - capital outlay	2,520,418		2,555,608	2,923,805	(368,197)
Total expenditures	92,578,174	196,598	92,774,772	99,862,790	(7,088,018)
(Deficiency) excess of revenues (under) over expenditures	(535,945)	(192,120)	(728,065)	1,654,955	2,383,020
Other financing sources (uses):					
Assets acquired under capital leases (non-budgeted)				750,000	750,000
Transfer in - Capital projects fund				15,679	15,679
Transfer out-Enterprise fund	(20,000)		(20,000)	(11,602)	8,398
Transfer out-Debt service fund		(800,000)	(800,000)	(800,000)	-
Total other financing sources (uses)	(20,000)	(800,000)	(820,000)	(45,923)	774,077
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	(555,945)	(992,120)	(1,548,065)	1,609,032	3,157,097
Fund balances, July 1	4,773,786		4,773,786	4,773,786	
Fund balances, June 30	$ 4,217,841	$ (992,120)	$ 3,225,721	$ 6,382,818	$ 3,157,097

Livingston Board of Education
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources (uses)					
Budgeted fund balance	$ (555,945)		$ (555,945)	$ 2,599,066	$ 3,155,011
Deposits to capital reserve				2,086	2,086
Capital reserve transfers		$ (800,000)	(800,000)	(800,000)	
Adjustment for prior year encumbrances		(192,120)	(192,120)	(192,120)	
Total	$ (555,945)	$ (992,120)	$ (1,548,065)	$ 1,609,032	$ 3,157,097

Recapitulation of fund balance:	
Year end encumbrances - assigned	$ 418,550
Emergency reserve account - restricted	323,335
Excess fund balance-current year-restricted	257,627
Capital reserve account - restricted	1,206,560
Designated for subsequent years' expenditures - assigned	1,200,000
Unassigned	2,976,746
Total fund balance (budgetary basis)	6,382,818
Reconciliation to Government Funds Statements GAAP:	
Last state aid payments not recognized on GAAP basis	(133,803)
Fund balance per Government Funds (GAAP)	$ 6,249,015

Livingston Board of Education
General Fund

Education Jobs Fund
Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Federal sources:					
Education Jobs Funds	$ 142,926	$ 4,478	$ 147,404	$ 147,404	
Total - federal sources	142,926	4,478	147,404	147,404	
Total revenues	142,926	4,478	147,404	147,404	
Expenditures:					
Current expenditures:					
Instruction - regular programs:					
Other instructional programs:					
Salaries	142,926	4,478	147,404	147,404	
Total other instructional programs	142,926	4,478	147,404	147,404	
Total expenditures	142,926	4,478	147,404	147,404	
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -

Livingston Board of Education
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
State sources	$ 607,214		$ 607,214	$ 504,263	$ (102,951)
Federal sources	1,967,788		1,967,788	1,765,935	(201,853)
Other sources	59,512		59,512	47,432	(12,080)
Total revenues	2,634,514		2,634,514	2,317,630	(316,884)
Expenditures:					
Current expenditures:					
Instruction:					
Salaries	249,029		249,029	249,029	
Other purchased services	800,000		800,000	800,000	
Supplies and materials	21,744		21,744	21,736	8
Textbooks	41,158		41,158	40,805	353
Other objects	97,608		97,608	97,608	
Total instruction	1,209,539		1,209,539	1,209,178	361
Support services:					
Benefits	20,047		20,047	20,047	
Purchased professional and educational / technical services	776,315		776,315	574,470	201,845
Other purchased services	5,000		5,000	5,000	
General supplies	150,067		150,067	137,987	12,080
Supplies and materials	468,448		468,448	365,850	102,598
Total support services	1,419,877		1,419,877	1,103,354	316,523
Capital outlay:					
Instructional equipment	5,098		5,098	5,098	-
Total capital outlay	5,098		5,098	5,098	-
Total expenditures	2,634,514		2,634,514	2,317,630	316,884
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -

Livingston Board of Education
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2012

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	$ 101,517,745	$ 2,317,630
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year		82,099
Current year		(6,764)
State aid payments are recognized for budgetary purposes, not recognized for GAAP statements.		
Current year	(133,803)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	$ 101,383,942	$ 2,392,965
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	$ 99,862,790	$ 2,317,630
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Net		75,335
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	$ 99,862,790	$ 2,392,965

APPENDIX C

Form of Approving Legal Opinion

MS&B McMANIMON • SCOTLAND • BAUMANN 75 Livingston Avenue, Roseland, NJ 07068 (973) 622-1800

______, 2013

The Board of Education of the
Township of Livingston in the
County of Essex, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of the Township of Livingston in the County of Essex, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of $8,500,000 School Bonds, dated the date hereof (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 23, 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 September 16, 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,