
OFFICIAL STATEMENT DATED JULY 15, 2009

In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, interest on the Taxable School Bonds is includable in gross income for Federal income tax purposes. Further, in the opinion of Bond Counsel, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

New Issue

**THE BOARD OF EDUCATION OF THE
CITY OF ATLANTIC CITY IN THE COUNTY OF ATLANTIC, NEW JERSEY
\$50,321,000 BUILD AMERICA SCHOOL BONDS (DIRECT PAY)
(Callable)(Book-Entry-Only)**

Dated: Date of Delivery

Due: August 15, as shown below

The \$50,321,000 Build America School Bonds (Direct Pay) (the "Bonds") of the Board of Education of the City of Atlantic City in the County of Atlantic, New Jersey (the "Board" or "Board of Education" when referring to the governing body and legal entity, and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository for the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The Board elects to designate the Bonds as "Build America Bonds," as authorized by the "American Recovery Reinvestment Act of 2009," Pub. L. 111-5, enacted February 17, 2009 (the "Recovery Act") and irrevocably elects to have Section 54AA(g) and Section 6431 of the Internal Revenue Code of 1986, as amended (as such sections were added by Section 1531 of the Recovery Act pertaining to the Build America Bonds) to apply to such bonds. The Board elects to receive the credit allowance for Build America Bonds as direct subsidy payments from the United States Treasury in the amount of 35% of the interest payable on the Bonds on each interest payment date. The Bank of New York Mellon, as "Calculation Agent," will calculate the federal subsidy and file the IRS Form 8038 CP. The owners of the beneficial interests in the Bonds will not receive any federal tax credit on these Bonds.

Interest on the Bonds will be payable semiannually on February 15 and August 15 in each year until maturity or earlier redemption, commencing August 15, 2010. Principal of and interest on the Bonds will be paid to DTC by The Bank of New York Mellon, as the "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 proceeding February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds are subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS—Redemption" herein.

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

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2011	\$1,120,000	2.50%	2.50%	2016	\$1,455,000	4.90%	4.66%
2012	1,185,000	3.25	3.23	2017	1,530,000	5.10	4.81
2013	1,250,000	3.50	3.43	2018	1,605,000	5.30	5.06
2014	1,320,000	4.00	3.83	2019	1,690,000	5.50	5.26
2015	1,385,000	4.25	4.03				

\$9,760,000 – 6.60% Term Bond due August 15, 2024 at 6.40%
\$4,620,000 – 6.70% Term Bond due August 15, 2026 at 6.56%
\$5,050,000 – 6.80% Term Bond due August 15, 2028 at 6.60%
\$18,351,000 – 7.25% Term Bond due August 15, 2034 at 7.13%

The Bonds are offered when, as and if issued, and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon & Scotland, L.L.C., Newark, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Board's Bond Counsel, McManimon & Scotland, L.L.C., or at such other place as agreed to with the Underwriter on or about July 30, 2009.

**THE BOARD OF EDUCATION OF THE CITY OF ATLANTIC CITY
IN THE COUNTY OF ATLANTIC, NEW JERSEY**

BOARD MEMBERS

Shay Steele, President
George Crouch, Vice President

Edward Cooper
Patricia Bailey
RaShun Stewart
John Devlin
John Dollard
Joan Glick (Ventnor Representative)
Gina Holmes
Ruth Byard

SUPERINTENDENT OF SCHOOLS

Fredrick P. Nickles

BUSINESS ADMINISTRATOR

Lisa P. Mooney, CPA

BOARD SECRETARY

Angela Brown

BOARD AUDITOR

Swartz & Co.
Mays Landing, New Jersey

BOARD ATTORNEY

Comegno Law Group, PC
Moorestown, New Jersey

BOND COUNSEL

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

FINANCIAL ADVISOR

Capital Financial Advisors, Inc.
Mount Laurel, New Jersey

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

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

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

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION.....	1
DESCRIPTION OF THE BONDS.....	2
BOOK-ENTRY-ONLY SYSTEM.....	4
THE SCHOOL DISTRICT AND THE BOARD.....	7
THE STATE'S ROLE IN PUBLIC EDUCATION.....	6
STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY.....	8
SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT.....	9
SUMMARY OF STATE AID TO SCHOOL DISTRICTS.....	12
SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS.....	13
MUNICIPAL FINANCE-FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	12
FINANCIAL STATEMENTS.....	17
LITIGATION.....	17
TAX MATTERS.....	17
LEGALITY FOR INVESTMENT.....	17
MUNICIPAL BANKRUPTCY.....	20
APPROVAL OF LEGAL PROCEEDINGS.....	21
PREPARATION OF OFFICIAL STATEMENT.....	21
FINANCIAL ADVISOR.....	22
RATING.....	21
SECONDARY MARKET DISCLOSURE.....	22
ADDITIONAL INFORMATION.....	23
CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT.....	23
MISCELLANEOUS.....	23
APPENDIX A	
Economic and Demographic Information Relating to the School District and the City of Atlantic City.....	A-1
APPENDIX B	
Financial Statements of The Board of Education of City of Atlantic City in the County of Atlantic, New Jersey.....	B-1
APPENDIX C	
Form of Approving Legal Opinion.....	C-1

**OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE CITY OF ATLANTIC CITY
IN THE COUNTY OF ATLANTIC, NEW JERSEY
\$50,321,000 BUILD AMERICA SCHOOL BONDS (DIRECT PAY)
(CALLABLE) (BOOK-ENTRY-ONLY ISSUE)**

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 City of Atlantic City in the County of Atlantic, 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 \$50,321,000 Qualified Build America School Bonds (Direct Pay) (the "Bonds"). The Bonds are taxable obligations and the Board designates the Bonds as "Build America Bonds," as authorized by the "American Recovery Reinvestment Act of 2009," Pub. L. 111-5, enacted February 17, 2009 (the "Recovery Act") and irrevocably elects to have Section 54AA(g) and Section 6431 of the Internal Revenue Code of 1986, as amended (as such sections were added by Section 1531 of the Recovery Act pertaining to the Build America Bonds) to apply to such bonds. The Board elects to receive the credit allowance for Build America Bonds as direct subsidy payments from the United States Treasury in the amount of 35% of the interest payable on the Bonds on each interest payment date. The Bank of New York Mellon (as further discussed herein) will calculate the federal subsidy and file the IRS Form 8038 CP. The owners of the beneficial interests in the Bonds will not receive any federal tax credit on these Bonds. This Official Statement has been executed by and on behalf of the Board by the Business Administrator 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.

Calculation Agent/Paying Agent.

The Bank of New York Mellon will serve as the calculation agent (the "Calculation Agent") for the Bonds. The Calculation Agent will be responsible for filing between 90 and 45 days prior to each Interest Payment Date (as such term is defined herein) Internal Revenue Service Form 8038-CP with the United States Treasury, requesting the Board of Education's 35% subsidy payment on the interest expense of the Bonds. The Bank of New York Mellon will also serve as the paying agent (the "Paying Agent") on the Bonds.

DESCRIPTION OF THE BONDS

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

Terms and Interest Payment Dates

The Bonds shall be dated July 30, 2009 and shall mature on August 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from July 30, 2009, which interest shall be payable semi-annually on the fifteenth day of February and August commencing on August 15, 2010 (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 Paying Agent to the registered owners of the Bonds as of each February 1 and August 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated Paying Agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Redemption

The Bonds maturing prior to August 15, 2020 are not be subject to optional redemption. The Bonds maturing on or after August 15, 2020 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after August 15, 2019 at the par amount of bonds to be refunded, plus unpaid accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing August 15, 2024, 2026, 2028 and 2034 are subject to mandatory redemption, prior to maturity, in part, upon notice as set forth herein on August 15 in each year set forth in the tables below at a redemption price equal to 100% of the principal amount thereof plus interest accrued to the respective redemption dates:

August 15, 2024

Year	Amount
2020	\$1,765,000
2021	1,860,000
2022	1,940,000
2023	2,040,000
2024*	2,155,000

* Final Maturity

August 15, 2026

Year	Amount
2025	\$2,255,000
2026*	2,365,000

* Final Maturity

August 15, 2028

Year	Amount
2027	\$2,465,000
2028*	2,585,000

* Final Maturity

August 15, 2034

Year	Amount
2029	\$2,715,000
2030	2,840,000
2031	2,980,000
2032	3,120,000
2033	3,270,000
2034*	3,426,000

* Final Maturity

Notice of Redemption

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

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

Security for the Bonds

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

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

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

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

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other

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

Authorization and Purpose

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 *et seq.*), a proposal adopted by the Board on March 30, 2009 and approved by a majority of the legal voters present and voting at the school district election held on April 21, 2009 and by a resolution duly adopted by the Board on May 11, 2009 (the “Resolution”).

The purpose of the Bonds is to provide for the construction of the “new” Richmond Avenue School at a site located at the Richmond and Ventnor Avenues in the City of Atlantic City and to undertake the necessary upgrades to the Brighton Avenue School in order to provide temporary classroom space to the students and staff of the existing Richmond Avenue School; to construct the “new” Pennsylvania Avenue School on land generally bordered by Pennsylvania, Mediterranean, Virginia, and Baltic Avenues and to acquire by purchase, gift, lease, or condemnation the land necessary for such construction and to acquire the necessary furnishings and equipment and undertake any associated site work for these two new schools. The total cost of the project is \$80,321,686.

BOOK-ENTRY-ONLY SYSTEM¹

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by

¹ Source: The Depository Trust Company

the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

Discontinuance of Book-Entry-Only System

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

THE SCHOOL DISTRICT AND THE BOARD

The Board is a ten (10) member board with members elected for staggered three (3) year terms. Pursuant to State statute, the Board's central administrative staff consists of the Superintendent of Schools, Assistant Superintendents, Business Administrator, and Board Secretary.

The School District is a Type II school district and provides a full range of educational services appropriate to pre-kindergarten through grade twelve (12), including regular and special education programs. The high school students attend Atlantic City High School. The School District is coterminous with the boundaries of the City of Atlantic City in the County of Atlantic. The School District has send-receive agreements with the Brigantine City School District, Ventnor City School District, Margate City School District, and Longport Borough School District, allowing each of these school districts to send their ninth through twelfth grade students to the Atlantic City High School on a tuition basis. These agreements can only be severed by the New Jersey commissioner of education.

THE STATE'S ROLE IN PUBLIC EDUCATION

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

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey Board of Education (the "State Board"). The State Board is responsible for the general supervision and control of public education

and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that have the effect of law and that are binding upon school districts.

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

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

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

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

Budgets and Appropriations

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and Federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease

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

Tax and Spending Limitations

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

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

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

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

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

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

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

Issuance of Debt

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

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

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

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

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

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

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a pre-kindergarten (pre-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 – Debt Limit of the School District."

Exceptions to Debt Limitation

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

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements can not exceed

five years except for certain energy-saving equipment which may be leased for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L.2000, c. 72, repealed the authorization to enter into facilities leases in excess of five years. The payment of rent on an equipment lease and on a five year and under facilities lease is treated as a current expense and within the school district's Spending Growth Limitation and tax levy cap. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA), are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

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

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

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

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

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., (P.L. 1990, 52) ("QEA") (now repealed), the Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., (P.L.1996, c. 138) (CEIFA) and the Educational Facilities Construction and Financing Act, P.L.2000, c. 72) ("EFCFA"), which became law on July 18, 2000. For the past several years aid was simply determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The most current school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260 approved January 1, 2008 (A500), attempts to remove the special status given to certain districts known as Abbot Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the New Jersey courts and the New Jersey Supreme 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, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid,

supplemental core curriculum standards aid, distance learning network aid, bilingual aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

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

The School District is eligible for debt service aid for the project in an amount equal to 40% of the annual debt service due with respect to the eligible costs of the project. Of the \$80,321,686 project cost, the Commissioner has determined that \$20,741,149 are eligible costs. For the School District to receive this aid, the State must appropriate it.

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 City are general full faith and credit obligations.

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The average for the last three years, of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of the City, as annually determined by the State Director of Taxation is \$20,142,504,674.

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 City has not exceeded its statutory debt limit. As of December 31, 2008, the statutory net debt as a percentage of average equalized valuation was 0.67%. As noted above, the statutory limit is 3 1/2%.

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

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

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

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

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

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

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

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

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

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

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

Additionally, new legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approve waivers for certain extraordinary costs identified by the statute, and voters may

approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

Neither the tax levy limitation nor the “Cap Law” limits the obligation of the City to levy ad valorem taxes upon all taxable real property within the City 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 City’s Local School District and the County, the tax rate is struck by the Atlantic 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 City’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 City 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 Atlantic County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey, for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

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

FINANCIAL STATEMENTS

The financial statements of the Board for the year ended June 30, 2008, are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Kenneth Moore, CPA of Swartz & Co., Mays Landing, 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 City of Atlantic City in the County of Atlantic, New Jersey".

LITIGATION

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

TAX MATTERS

Taxable School Bonds

The Bonds are issued as taxable "Build America Bonds," as authorized by the Recovery Act. The interest on the Bonds is includable in gross income for Federal income tax purposes. The Board will elect to receive cash subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Bonds on each Interest Payment Date. As a result of such election, holders of the Bonds will not be entitled to receive the tax credit otherwise permitted under Section 54AA(a) of the Code.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order for the Board to continue to receive the cash subsidy payments, including requirements relating to the use and expenditure of proceeds of Bonds. Noncompliance may cause the Board to be ineligible to continue to receive the cash subsidy payments. The Board has covenanted in its Tax Certificate to comply with certain applicable provisions of the Code relating to actions to be taken by the Board in respect of the Bonds after the issuance thereof to the extent necessary to effect and maintain the receipt of the cash subsidy payments.

The following is a summary of certain United States federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective investor should consult with its own tax

advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, this summary is addressed only to original purchasers of the Bonds that are "U.S. holders" (as defined below), deals only with Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in the Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Taxable School Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration, and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Market Discount

If a holder purchases a Bond for an amount that is less than the principal amount of such Bond, and such difference is not considered to be *de minimis*, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of such a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

For federal income tax purposes, a portion of the amount realized on sale attributed to the Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Market Premium

A purchaser of a Bond who purchases such Bond at a cost greater than its then principal amount will be considered to have purchased such Bond at a market premium. Under Section 171 of the Code, such a purchaser must amortize the amount of such market premium using constant yield principles based on the purchaser's yield to maturity. Amortizable market premium is generally treated as an offset to interest income. The Code at Section 1016(a) requires a reduction in a Bond's basis for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Bond that acquire it at a premium should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bond.

Sale or Redemption of Bonds

A bondowner's tax basis for a Bond is the price such owner pays for the Bond plus any original issue discount included in income, reduced by any payments received (other than "qualified periodic interest" payments) and any amortized premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the Bond's basis as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset.

Possible Recognition of Taxable Gain or Loss upon Defeasance of Bonds

Defeasance of any Bond may result in a deemed exchange under Section 1001 of the Code, in which event the holder of such Bond will recognize taxable gain or loss in an amount equal to the difference between the amount realized from the deemed exchange (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted basis in such Bond.

Backup Withholding

A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest or original issue discount on the Bonds. This withholding generally applies if the owner of a Bond (a) fails to furnish the Board of Education or Paying Agent with its taxpayer identification number; (b) furnishes the Board of Education or Paying Agent with an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Board of Education or Paying Agent with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is the correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Bonds will be reported to the bondowners and to the Internal Revenue Service.

Foreign Bondowners

Under the Code, interest and original issue discount income with respect to Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the Board of Education or Paying Agent (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Bonds is a Nonresident. The withholding tax may be reduced or eliminated by an applicable tax treaty, if any. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA

The Employees Retirement Income Security Act of 1974, as amended ("ERISA") and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an "ERISA Plan") and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of ERISA Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bonds.

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Bonds.

IRS Circular 230 Disclosure

To ensure compliance with requirements imposed by the IRS, any purchaser of a Bond is hereby informed that (i) any U.S. federal tax advice contained in this offering material (including any attachments) is not intended or written by Bond Counsel to the Board of Education to be used, and that it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Code;

(ii) such advice is written to support the promotion or marketing of the transaction(s) or matter(s) addressed by the written advice; and (iii) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

New Jersey Gross Income Tax

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.

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

LEGALITY FOR INVESTMENT

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

MUNICIPAL BANKRUPTCY

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

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

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

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

FINANCIAL ADVISOR

Capital Financial Advisors, Inc. of Mount Laurel, New Jersey served as financial advisor to the Board of Education with respect to the issuance of the Bonds. This Official Statement has been prepared on behalf of the Board of Education with the assistance of the financial advisor. The information set forth herein has been obtained from the Board of Education and other sources which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. Capital Financial Advisors, Inc. is a financial advisor and consulting organization, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

RATING

Standard & Poor's (the "Rating Agency") has assigned a rating of "AA" to the Bonds based on the New Jersey School Bond Reserve Act and an underlying rating of "A+" to the Bonds.

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

SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Board 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, 2010, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board and certain financial information and operating data consisting of (1) Board and overlapping indebtedness including a schedule of outstanding debt issued by the Board; (2) the Board's most current adopted budget; (3) property valuation information; and (4) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

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

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

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

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

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

The Board did not provide its annual financial information in connection with its prior undertakings. However, as of the date of this Official Statement, the Board has made all appropriate filings and is in compliance with the Rule with respect to its prior undertakings.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Lisa Mooney, Business Administrator, at (609) 343-7200.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

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

MISCELLANEOUS

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

**THE BOARD OF EDUCATION OF THE CITY OF
ATLANTIC CITY IN THE COUNTY OF ATLANTIC,
NEW JERSEY**

By: /s/ Lisa Mooney
Lisa Mooney, CPA, Business Administrator

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APPENDIX A

**Economic and Demographic Information Relating to the School
District and the City of Atlantic City**

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**GENERAL INFORMATION OF THE
ATLANTIC CITY BOARD OF EDUCATION**

Staff

The Superintendent of Schools is the Chief Administrative Officer of the School District. The School Business Administrator/Board Secretary oversees the business functions and report through the Superintendent to the Board. There are approximately 1,134 employees of the Board, of which 784 are teachers 295 are educational support and 55 are administrators.

Labor Relations

The Board currently has a contract with the Atlantic City Administrator’s Association which represents 41 district administrators. The District’s teachers are represented by the Atlantic City Education Association. Both contracts expire on 6/30/10.

School Enrollment

TRENDS OF ENROLLMENT		PROJECTED ENROLLMENT	
Fiscal Year	Total School District Enrollment	Fiscal Year	Projected School District Enrollment
2007-2008	6,281	2008-2009	6,231
2006-2007	6,632	2009-2010	6,231
2005-2006	6,893	2010-2011	6,231
2004-2005	7,114	2011-2012	6,231
2003-2004	7,967	2012-2013	6,231

Source: Business Administrator for the Atlantic City Board of Education.

Financial Operations

The following table summarizes information on changes in financial resources and fund balances for the school year ending June 30, 2007 and June 30, 2008 for the general, special revenue and debt service funds. This summary should be used in conjunction with the tables from which it is derived. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey began to prepare their financial statements in accordance with Generally Accepted Accounting Principles.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GENERAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30:**

	<u>2007</u>	<u>2008</u>
REVENUES		
Local Sources		
Local Tax Levy	\$93,056,124	\$94,001,269
Miscellaneous	1,919,938	1,298,562
Tuition	<u>11,635,011</u>	<u>11,019,490</u>
State Sources	19,678,769	20,678,216
Federal Sources	<u>28,633</u>	<u>67,803</u>
Total Revenues	<u>\$126,318,475</u>	<u>\$129,015,340</u>
EXPENDITURES		
Current Expense		
Instruction	40,836,140	43,568,613
Support Services	78,245,269	80,495,927
Capital Outlay	<u>3,728,143</u>	<u>2,448,195</u>
Total Expenditures	<u>\$122,809,552</u>	<u>\$126,512,735</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	3,508,923	2,502,605
Other Financing Sources	40,851	(1,120,645)
Net Change in Fund Balance	3,549,774	1,381,960
Fund Balance, July 1	<u>17,338,422</u>	<u>20,888,196</u>
Fund Balance, June 30	<u>\$20,888,196</u>	<u>\$22,270,156</u>

Fiscal 2007-08 and 2008-09 Budgets

The Board must submit its budget for voter approval. Annual increases in its net budget are limited by the Comprehensive Educational Improvement and Financing Act of 1996. The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2007-2008 fiscal year was \$118,002,323. The major sources of revenue were \$94,001,269 from the local tax levy, \$11,019,490 from tuition, and \$9,797,113 from state aid.

The Board's General Fund Budget for the 2008-2009 fiscal year is \$143,056,198. The major sources of revenue are \$97,761,320 from the local tax levy, \$11,178,687 from tuition, and \$21,509,701 from state aid. The major areas of expenditure are for instruction, including salaries for teachers and other instructional staff, and special education.

**BONDED INDEBTEDNESS OF THE BOARD
AFTER GIVING EFFECT TO THE ISSUANCE OF THE BONDS**

<u>Fiscal Year</u> <u>Ended June</u> <u>30</u>	<u>Existing</u> <u>Debt Service</u>	<u>Principal</u> <u>This Issue</u>	<u>Gross Interest</u> <u>This Issue</u>	<u>Total</u> <u>Debt Service</u>	<u>Net Interest*</u> <u>This Issue</u>	<u>Total</u> <u>Debt Service</u>
2010	\$12,354,455	-		\$12,354,455		\$12,354,455
2011	12,512,507		\$4,897,586	17,410,092	\$3,183,431	15,695,937
2012	12,395,660	\$1,120,000	3,162,813	16,678,473	2,055,828	15,571,488
2013	11,929,572	1,185,000	3,129,556	16,244,128	2,034,212	15,148,783
2014	11,548,202	1,250,000	3,088,425	15,886,627	2,007,476	14,805,678
2015	9,634,925	1,320,000	3,040,150	13,995,075	1,976,098	12,931,022
2016	7,801,115	1,385,000	2,984,319	12,170,433	1,939,807	11,125,922
2017	3,321,838	1,455,000	2,919,240	7,696,078	1,897,506	6,674,344
2018	778,900	1,530,000	2,844,578	5,153,477	1,848,975	4,157,875
2019	780,779	1,605,000	2,763,030	5,148,809	1,795,970	4,181,748
2020	785,184	1,690,000	2,674,023	5,149,207	1,738,115	4,213,299
2021	782,116	1,765,000	2,569,303	5,116,419	1,670,047	4,217,163
2022		1,860,000	2,449,678	4,309,678	1,592,290	3,452,290
2023		1,940,000	2,324,278	4,264,278	1,510,780	3,450,780
2024		2,040,000	2,192,938	4,232,938	1,425,409	3,465,409
2025		2,155,000	2,054,503	4,209,503	1,335,427	3,490,427
2026		2,255,000	1,907,845	4,162,845	1,240,099	3,495,099
2027		2,365,000	1,753,075	4,118,075	1,139,499	3,504,499
2028		2,465,000	1,590,038	4,055,038	1,033,524	3,498,524
2029		2,585,000	1,418,338	4,003,338	921,919	3,506,919
2030		2,715,000	1,232,029	3,947,029	800,819	3,515,819
2031		2,840,000	1,030,660	3,870,660	669,929	3,509,929
2032		2,980,000	819,685	3,799,685	532,795	3,512,795
2033		3,120,000	598,560	3,718,560	389,064	3,509,064
2034		3,270,000	366,923	3,636,923	238,500	3,508,500
2035		3,426,000	124,193	3,550,193	80,725	3,506,725
Totals	<u>\$84,625,253</u>	<u>\$50,321,000</u>	<u>\$ 53,935,760</u>	<u>\$ 188,882,009</u>	<u>\$ 35,058,244</u>	<u>\$170,004,493</u>

*Net of 35% Direct Pay against interest for Build America Bonds

ECONOMIC AND DEMOGRAPHIC INFORMATION

General Information

Atlantic City (the "City") covers an area of approximately 12 square miles and borders the Atlantic Ocean in southern New Jersey. It lies about 65 miles southeast of Philadelphia and 125 miles south of New York City. The location and climate of the City have traditionally enabled it to maintain itself as a recreational and resort center. In addition, casino gaming has, over almost 20 years, provided spectacular growth and another attraction to go along with the existing beaches, boardwalk and ocean.

Legalized Casino Gambling in Atlantic City

On November 2, 1976, in a statewide constitutional referendum, the electorate approved legalized casino gambling in Atlantic City only. The enabling legislation, the Casino Control Act, P.L. 1977, Ch. 110, was signed on June 2, 1977. It created a state regulatory agency known as the Casino Control Commission and outlined procedures, eligibility, restrictions and limitations on gambling; defined types of hotels eligible for licenses; specified the annual license fees to be used to pay all commission related administrative costs; and established a state tax on casino gambling to be utilized to reduce utility costs for senior citizens and the disabled in the state.

Employment and Unemployment Comparisons

For the years 2004 to 2008, the New Jersey Department of Labor reported the following annual average employment information for the City of Atlantic City, the County of Atlantic and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>City of Atlantic City</u>				
2008	16,797	15,222	1,575	9.4%
2007	16,916	15,420	1,495	8.8%
2006	17,470	15,990	1,480	8.5%
2005	17,373	15,797	1,394	8.0%
2004	18,643	16,922	1,741	9.3%
<u>County of Atlantic</u>				
2008	135,611	126,126	9,485	7.0%
2007	135,720	127,770	7,950	5.9%
2006	139,997	132,007	7,990	5.7%
2005	137,566	130,200	7,366	5.4%
2004	135,535	127,889	7,646	5.6%
<u>State of New Jersey</u>				
2008	4,496,700	4,251,500	245,500	5.50%
2007	4,466,300	4,276,600	189,700	4.20%
2006	4,492,800	4,283,600	209,200	4.70%
2005	4,430,373	4,235,937	194,436	4.40%
2004	4,388,000	4,176,200	211,800	4.80%

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

Money Income (1)

	Median Household <u>Income(2)(5)</u>	Median Family <u>Income(3)(5)</u>	Median Nonfamily <u>Income(4)(5)</u>
City of Atlantic City	\$43,137	\$52,205	\$25,285
County of Atlantic	43,933	51,710	26,478
State of New Jersey	55,146	65,370	31,298

- (1) Estimates for 1999 based upon the 2000 Census
- (2) Household includes all the persons who occupy a household.
- (3) Family includes a householder and one or more persons living in the same household who are related to the householder by birth, marriage or adoption.
- (4) Nonfamily includes a householder living alone or with non-relatives only.
- (5) Median divides the income distribution into two equal parts, one halving incomes above the median and the other halving incomes below the median.

Population

The following tables summarize population increases and decreases for the City of Atlantic City, the County of Atlantic, and the State of New Jersey.

POPULATION - 1960 TO 2000

<u>Year</u>	<u>CITY OF ATLANTIC CITY</u>		<u>COUNTY OF ATLANTIC</u>		<u>STATE OF NEW JERSEY</u>	
	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
1960	59,544	---	160,880	---	6,066,782	---
1970	47,859	(19.62%)	175,043	8.89%	7,171,112	18.20%
1980	40,199	(16.00%)	194,119	11.47%	7,365,001	2.70%
1990	37,986	(5.50%)	224,327	15.56%	7,730,188	4.96%
2000	40,517	6.70%	252,552	12.58%	8,414,350	8.85%

Source: United States Department of Commerce, Bureau of the Census, 1960, 1970, 1980, 1990 and 2000 Census of the Population: New Jersey.

Property Tax Rates – Direct and Overlapping Governments

<u>Assessment Year</u>	<u>School District</u>	<u>City</u>	<u>County</u>	<u>Total</u>
2004	1.12	1.85	0.46	3.43
2005	1.24	1.78	0.48	3.50
2006	1.28	1.93	0.48	3.69
2007	1.29	1.88	0.56	3.73
2008	0.53	0.88	0.26	1.67

Source: Comprehensive Annual Financial Report of the Atlantic City School District on file at the Division of Local Government Services.

Comparisons of Tax Levies and Collections

<u>Current Fund</u>	<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year Percentage of Collection</u>
	2008	\$332,248,024	\$324,061,583	97.54%
	2007	309,097,164	301,954,946	97.69%
	2006	300,595,635	298,250,259	99.22%
	2005	278,849,997	276,441,567	99.14%
	2004	271,860,576	270,952,333	99.67%

Source: Comprehensive Annual Audit Reports of the City of Atlantic City on file at the Division of Local Government Services.

Largest Taxpayers

The ten largest taxpayers in the City of Atlantic City and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2008 Assessed Valuation</u>
1) Marina District Development	\$2,165,909,500
2) Boardwalk Regency	1,751,195,700
3) Marina Associates	1,700,336,000
4) Trump Taj Mahal Assoc.	1,482,004,800
5) Adamar of New Jersey	1,258,906,600
6) Showboat Land, LLC	1,103,806,900
7) Bally of New Jersey	1,040,105,400
8) Mirage AC Corp.	799,111,300
9) Resorts International (Resorts)	721,779,400
10) Trump Plaza Corp.	<u>662,741,500</u>
Total	<u>\$12,685,897,100</u>
Percentage of Total Net Valuation: 61.87 %	

Source: Comprehensive Annual Financial Report of the Atlantic City School District on file at the Division of Local Government Services.

Assessed Valuations, Equalized Valuation

For years 2003 through 2008 the assessed valuation, equalized valuation, tax levy and tax rates for all Township property is provided below:

<u>Year</u>	<u>Net Assessed Valuations</u>	<u>Estimated Full Cash Valuations</u>	<u>Ratio of Net Assessed To Full Cash Valuations</u>
2008	\$20,493,575,600	\$19,658,106,091	104.25%
2007	8,150,513,500	22,213,031,746	36.70%
2006	7,915,330,200	17,825,942,534	44.42%
2005	7,812,702,600	12,062,853,485	64.81%
2004	7,783,309,000	10,642,732,583	73.20%
2003	7,368,459,100	8,867,138,337	83.19%

Source: Table of Equalized Valuations, Department of the Treasury

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2008	\$2,324,837	\$135,666	\$2,460,503	0.741%
2007	2,521,523	2,294,558	4,816,081	1.56%
2006	2,367,567	2,313,370	4,680,937	1.56%
2005	2,517,517	91,824	2,609,341	0.94%
2004	2,875,289	640,393	3,515,682	1.29%

Source: Annual Audit Reports of the City of Atlantic City on file at the Division of Local Government Services.

City of Atlantic City

Debt Statement (1)
December 31, 2008

General Purpose Debt

Bonds and Notes

\$161,978,904

Local School District Debt (2)

Bonds and Notes Issued

70,705,000

TOTAL GROSS DEBT

\$232,683,904

Less: Statutory Deductions

Local School District Debt

70,705,000

97,685,104

TOTAL NET DEBT

\$134,998,800

(1) Source: Annual and Supplemental Debt Statements of the Atlantic City School District filed with the Division of Local Government Services.

(2) School District debt is paid by the District out of its operating budget and not by the Town. The Town collects taxes on behalf of the School District, acting as the School District's agent.

Debt Limit

Average Equalized Valuation Basis (2008, 2007, 2006)		\$20,142,504,674
Permitted Debt Limitation (3.5%)	\$704,987,664	
Less: Net Debt of the Town	<u>134,988,864</u>	
Remaining Borrowing Power	<u>\$569,988,864</u>	
Percentage of Net Debt to Average Equalized Valuation:		0.67%
Gross Debt Per Capita (based on 2000-population census of 40,517):		\$5,742
Net Debt Per Capita (based on 2000-population census of 40,517):		\$3,331

APPENDIX B

**Financial Statements of The Board of Education of the
City of Atlantic City in the County of Atlantic, New Jersey**

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**ALLIANCE OF
GOVERNMENTAL
AUDITORS, LLC**

PO Box 548, Mays Landing, NJ 08330
609-625-0999 FAX 609-625-2421

A JOINT VENTURE OF

SWARTZ & CO.,LLC &

TRACEY HEUN BRENNAN & CO. CPAs, PC

INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Education
City of Atlantic City School District
County of Atlantic, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atlantic City School District in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Atlantic City School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atlantic City School District, in the County of Atlantic, State of New Jersey as of June 30, 2008 and the respective changes in financial position and cash flows where applicable for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2008 on our consideration of the City of Atlantic City School District's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atlantic City School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Receipts of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements of the City of Atlantic City School District in the County of Atlantic, State of New Jersey. The combining fund financial statements and schedules listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kenneth Moore, CPA

Kenneth Moore, CPA
Licensed Public School Accountant
No. CS00499

Alliance of Governmental Auditors

Alliance of Governmental Auditors, LLC
Certified Public Accountants

October 6, 2008

Required Supplemental Information

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Atlantic City Board of Education ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statement.

FINANCIAL HIGHLIGHTS

- The net assets of the District increased approximately \$8,800,000 mainly as the result of the payment of debt and favorable health insurance renewal rates.
- The State of New Jersey reimbursed the District \$4,033,724 during the fiscal year ended June 30, 2008 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. The State also contributed \$6,876,688 for TPAF Pension Contributions on-behalf of the district. These amounts, which are not budgeted, are included as both a revenue and appropriation in the financial statements.
- As indicated by New Jersey State Statutes, the unreserved fund balance of the general fund is limited to 2% of the total general fund expenditures. Any excess is required to be designated as Reserved Fund Balance – Excess Surplus and included in the subsequent year's budgets as budgeted fund balance.
- During the fiscal year ended June 30, 2008, the District's revenues were approximately \$1,300,000 more than total expenses realized, excluding Capital Project Funds which varies from year to year.
- In the District's business-type activities, net assets decreased approximately \$530,000 due to the excess of expenses over revenues and the general fund contribution of \$400,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the basic *financial statements*, *required supplementary information*, and an optional section that presents *combining statements for special revenue, proprietary, and fiduciary funds*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District's government, reporting on the District's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like instruction were financed in the *short term* as well as what remains for future spending.

- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the District operates like businesses, such as the food service area.
- *Fiduciary fund* statements provide information about the financial relationships – like the unemployment trust fund – in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Major Features of Atlantic City Board of Education
Government-wide and Fund Financial Statements**

	Government wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as food service and student activities	Activities the District operates similar to private businesses; food service, and construction enterprise	Instances in which the District is the trustee or agent for someone else's resources, such as payroll agency and student activities.
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short- term and long- term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.

Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.
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Government-wide Statements

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

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

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the County’s property tax base and the condition of the District’s facilities.

The government-wide financial statements of the District are divided into two categories:

- *Governmental activities* – most of the District’s basic services are included here, such as instruction, vocational education, administration, and plant operations. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – the District charges fees to customers to help it cover the costs of certain services it provides. The District’s food service and construction enterprise fund are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s most significant *funds* – not the District as a whole. Funds are accounting devices that the

District uses to keep track of specific sources of funding and spending for particular purposes.

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the District’s *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for its employees’ unemployment compensation plan. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District’s governmental activities net assets increased between fiscal years 2007 and 2008 as a result of favorable health insurance renewal rates, and spending controls. Also, the State of New Jersey continued to defer the final state aid payment to the subsequent fiscal year which reduced the revenue realized by the District. The business-type activities net assets decreased due to the excess of expenses over realized revenues.

	Governmental Activities		Business-type Activities	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 30,697,162	29,950,242	1,234,777	447,287
Capital assets	106,774,921	108,275,563	99,240	134,106
Total assets	<u>137,472,083</u>	<u>138,225,805</u>	<u>1,334,017</u>	<u>581,393</u>
Long-term liabilities	70,964,181	80,447,061		
Other liabilities	18,618,401	18,686,494	1,607,528	316,999
Total liabilities	<u>89,582,582</u>	<u>99,133,555</u>	<u>1,607,528</u>	<u>316,999</u>
Net assets				
Invested in capital assets	28,494,921	16,759,981	99,240	134,106
Restricted	488,289	975,518		
Unrestricted	18,906,291	21,356,751	(372,751)	130,288
Total net assets	<u>\$ 47,889,501</u>	<u>39,092,250</u>	<u>(273,511)</u>	<u>264,394</u>

As required by New Jersey Statutes, the unrestricted net assets of the District are not permitted to exceed 2% of total general fund expenditures, after reductions for On-behalf TPAF pension and social security and assets acquired under capital leases. Any excess must be appropriated as budgeted fund balance in the subsequent years' budget. As of June 30, 2008, the District has excess fund balance.

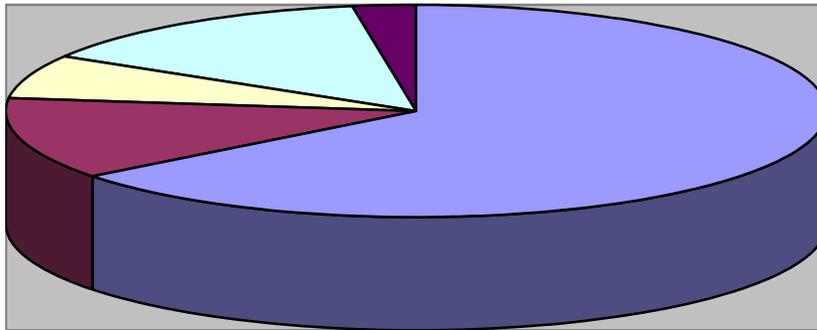
Changes in net assets. The total revenue of the District increased approximately \$2,000,000 due to the payment of debt principal and additional unrestricted state aid. Also, the State of New Jersey continued to defer the final state aid payment to the subsequent fiscal year which reduced the revenue realized by the District in the current fiscal year.

Approximately 16% of the District's revenue comes from the State of New Jersey in the form of unrestricted state aid. This aid is based on the District's enrollment at 2001. The City of Atlantic City levies property taxes on properties located in the city. This tax is collected by the municipality and remitted to the District on a monthly basis. The District expenses are primarily related to instruction, administration, and plant operations. Approximately 81% of the City tax levy is paid by the casinos.

Analysis of Major Revenue Categories on an Entity Wide Basis

	2008		2007	
	Amount	Percentage	Amount	Percentage
Property taxes	\$ 105,367,643	64.09%	\$ 104,590,344	64.35%
Unrestricted State aid	20,746,019	12.62%	19,707,402	12.13%
Tuition	11,019,490	6.70%	11,635,011	7.16%
Charges for Services	561,171	0.34%	730,664	0.45%
Operating Grants and Contributions	22,686,836	13.80%	21,897,810	13.47%
Other	4,028,361	2.45%	3,972,518	2.44%
Totals	\$ 164,409,520	100.00%	162,533,749	100.00%

2008 Revenue



Governmental Activities

The following schedule summarizes the governmental and business-type activities of the District during the 2008, and 2007 fiscal year.

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenue						
Charges for services	11,019,490		561,171	730,664	11,580,661	730,664
Federal grants	\$ 7,763,210	9,266,420	3,019,935	3,019,053	10,783,145	12,285,473
State grants and entitlements	11,756,455	9,461,606	147,236	150,731	11,903,691	9,612,337
General revenues						
Property taxes	105,367,643	104,590,344			105,367,643	104,590,344
Tuition	-	11,635,011			-	11,635,011
State aid entitlements	21,776,197	19,707,402			21,776,197	19,707,402
Other	2,996,858	3,972,518	1,325		2,998,183	3,972,518
Total revenues	<u>160,679,853</u>	<u>158,633,301</u>	<u>3,729,667</u>	<u>3,900,448</u>	<u>164,409,520</u>	<u>162,533,749</u>
Expenses						
Instruction:						
Regular	53,360,505	51,815,832			53,360,505	51,815,832
Special Education	8,642,555	7,534,513			8,642,555	7,534,513
Other special instruction	6,666,362	4,746,727			6,666,362	4,746,727
Other instruction	2,761,577	2,649,653			2,761,577	2,649,653
Other	546,805	562,813			546,805	562,813
Support services:						
Student & instruction related	36,596,788	33,644,848			36,596,788	33,644,848
District administration services	5,564,594	4,990,576			5,564,594	4,990,576
General & business admin services	6,502,331	8,464,187			6,502,331	8,464,187
Plant operations & maintenance	18,846,654	19,156,201			18,846,654	19,156,201
Pupil transportation	5,373,113	5,147,389			5,373,113	5,147,389
Unallocated costs	-	881,054			-	881,054
Special schools	2,335,465	1,859,259			2,335,465	1,859,259
Interst on long-term debt	4,285,853	4,719,154			4,285,853	4,719,154
Capital Outlay	-	10,201			-	10,201
Business-type activities			4,667,572	4,412,443	4,667,572	4,412,443
Total expenses	<u>151,482,602</u>	<u>146,182,407</u>	<u>4,667,572</u>	<u>4,412,443</u>	<u>156,150,174</u>	<u>150,594,850</u>
Excess/(Deficiency) before Transfers	9,197,251	12,450,894	(937,905)	(511,995)	8,259,346	11,938,899
Transfers	(400,000)	(500,000)	400,000	500,000	-	-
Increase/(Decrease) in net assets	<u>\$ 8,797,251</u>	<u>11,950,894</u>	<u>(537,905)</u>	<u>(11,995)</u>	<u>8,259,346</u>	<u>11,938,899</u>

Business-type Activities

- Revenues of the business-type activities decreased \$170,000 due to a decrease in the special functions held, snack reimbursements and vending sales. Expenditures increase \$256,000 due to an increase in the costs to deliver supplies and increases in food costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$21,863,028 which is approximately \$780,000 higher than the beginning of the year. This is a result of the increase in the rate of interest on deposits, favorable health insurance renewal rates, and spending controls. Also, the State of New Jersey continued to defer the final state aid payment to the subsequent fiscal year which resulted in a decrease in the revenue recognized by the District.

General Fund Budgetary Highlights

As further explained in the Footnotes to the Financial Statements, annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and, as a Type II School District, are approved by the voter of the municipality. Transfers of appropriations may be made by Board resolution at any time during the fiscal year. However, transfers greater than 10% of the advertised budget line account must also be approved by the County Office. The District is required to encumber funds throughout the year for purchases ordered but not yet received. Any open encumbrances as of June 30th carry over to the next fiscal year and are added to the appropriation reflected in the certified budget.

After adjusting total revenue reported on Exhibit C-1 for the Reimbursed TPAF Social Security Contribution and On-behalf TPAF Pension Contributions, which are not budgeted, the District's actual revenue exceeded the budget by approximately \$1,058,000. This is a result of an increase in the rate of interest earned on cash deposits as well as unbudgeted tuition revenue. Again, after adjusting for the Reimbursed TPAF Social Security Contribution and On-behalf TPAF Pension Contributions, actual expenditures were less than the budgeted appropriations by approximately \$8,100,000. The most significant variances occurred in the area of salaries, health benefits and construction services. Audit exhibit C-1 does not include current year depreciation expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, and 2007, respectively, the District had invested \$150.8 and \$148.5 million in a broad range of capital assets, including land, buildings, vehicles and machinery with accumulated depreciation of \$44.1 and \$40.2 million.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 18,304,125	\$ 17,817,780			18,304,125	17,817,780
Construction in Progress	-	2,047,694			-	2,047,694
Infrastructure assets	1,316,007	1,504,467			1,316,007	1,504,467
Buildings and Building Improvement	83,466,381	82,496,552			83,466,381	82,496,552
Machinery and Equipment	3,688,408	4,409,070	99,240	134,106	3,787,648	4,543,176
Total	<u>\$ 106,774,921</u>	<u>\$108,275,563</u>	<u>99,240</u>	<u>134,106</u>	<u>106,874,161</u>	<u>108,409,669</u>

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

All bonds are authorized in accordance with State law by the voters of the District. At the end of the current fiscal year, the District had the following long-term debt:

	<u>Balance</u>		<u>Retired/</u>	<u>Balance</u>
	<u>June 30, 2007</u>	<u>Issued</u>	<u>Adjusted</u>	<u>June 30, 2008</u>
Bonds Payable	\$ 79,843,000	11,240,000	18,843,000	72,240,000
Obligations under Capital Leases	388,921		388,921	-
Certificates of Participation	6,890,000		850,000	6,040,000
Compensated Absences Payable	2,002,370	290,605	840,485	1,452,490
Total	<u>\$ 89,124,291</u>	<u>11,530,605</u>	<u>20,922,406</u>	<u>79,732,490</u>

More detailed information about the District's Long-term Debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City valuation, on which the tax rate is based, increased \$12,348,110,579 due to a City-wide revaluation. The revaluation was not certified until after the 2007-08 budget had been adopted. However, the District still increased the tax levy by \$162,000.
- In 2005, the District entered into a five year lease for administrative office space to replace the sale of the administrative building. This will result in an economic savings.
- The financial position of the State of New Jersey will likely result in an increased level of state aid for the 2008-2009 school year. The District is likely to continue to feel financial pressure that will put pressure on the school programs, inclusive of staffing levels.
- The increase in state aid realized in the 2008-2009 budget was the result of the new funding formula adopted by the Department of Education. The impact the new funding formula will have on the District's 2009-10 budget has not been determined, however the Department of Education is expected to hold harmless district with declining enrollment for the next two fiscal years.
- Staffing levels were decreased in the 2008-09 budget as a result of declining enrollments. The 2008-09 budget could be negatively affected in the event these decreases are not realized.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to present users (residents, receiving districts, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's business administrator at 1300 Atlantic Avenue, Atlantic City, New Jersey 08401.

BASIC FINANCIAL STATEMENTS

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City of Atlantic City School District
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 23,629,902	955,396	24,585,298
Investments	5,426,583		5,426,583
Receivables from other governments	587,807	209,775	797,582
Other receivables - Tuition	1,052,870	12,100	1,064,970
Inventory	-	57,506	57,506
Capital assets, net :			
Land and land improvements	18,304,125		18,304,125
Depreciable assets, net of depreciation	88,470,796	99,240	88,570,036
Total Assets	<u>137,472,083</u>	<u>1,334,017</u>	<u>138,806,100</u>
LIABILITIES			
Accounts payable	5,481,027	1,607,528	7,088,555
Accrued Interest Payable	1,015,958	-	1,015,958
Deferred revenue	1,665,339	-	1,665,339
Worker's Compensation Claims Payable	1,687,768	-	1,687,768
Noncurrent liabilities:			
Due within one year	8,768,309	-	8,768,309
Due beyond one year	70,964,181	-	70,964,181
Total liabilities	<u>89,582,582</u>	<u>1,607,528</u>	<u>91,190,110</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,494,921	99,240	28,594,161
Restricted for:			
Debt service	13,200	-	13,200
Capital projects	160,143	-	160,143
Permanent endowment - nonexpendable	9,946	-	9,946
Reserved for future expenditures	305,000	-	305,000
Unrestricted	18,906,291	(372,751)	18,533,540
Total net assets	<u>\$ 47,889,501</u>	<u>(273,511)</u>	<u>47,615,990</u>

The accompanying notes to financial statements are an integral part of this statement

City of Atlantic City School District
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Direct Expenses	Allocated Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction:								
Regular	\$ 42,820,170	10,540,426	10,020,531	12,020,279	-	(31,319,786)	-	(31,319,786)
Special education	6,935,368	1,707,179	880,391	-	-	(7,762,156)	-	(7,762,156)
Other special instruction	5,349,538	1,316,818	-	-	-	(6,666,356)	-	(6,666,356)
Other instruction	2,216,075	545,499	-	-	-	(2,761,574)	-	(2,761,574)
Adult/continuing education programs	438,793	108,011	118,568	-	-	(428,236)	-	(428,236)
Support services:								
Tuition	13,547,289	3,457,721	-	1,635,336	-	(15,369,674)	-	(15,369,674)
Student & instruction related services	15,721,748	3,869,995	-	5,864,050	-	(13,727,693)	-	(13,727,693)
School administrative services	4,465,405	1,099,184	-	-	-	(5,564,589)	-	(5,564,589)
Central Services	1,090,469	268,425	-	-	-	(1,358,894)	-	(1,358,894)
Administrative Information Technology	1,559,245	383,817	-	-	-	(1,943,062)	-	(1,943,062)
General and business administrative services	2,568,194	632,175	-	-	-	(3,200,369)	-	(3,200,369)
Plant operations and maintenance	15,123,823	3,722,812	-	-	-	(18,846,635)	-	(18,846,635)
Pupil transportation	4,280,565	1,092,543	-	-	-	(5,373,108)	-	(5,373,108)
Unallocated benefits	29,219,487	(29,219,487)	-	-	-	-	-	-
Special schools	1,860,580	474,882	-	-	-	(2,335,462)	-	(2,335,462)
Interest on long-term debt	4,285,853	-	-	-	-	(4,285,853)	-	(4,285,853)
Capital Outlay	-	-	-	-	-	-	-	-
Unallocated depreciation	-	-	-	-	-	-	-	-
Total governmental activities	151,482,602	-	11,019,490	19,519,665	-	(120,943,447)	-	(120,943,447)
Business-type activities:								
Food Service	4,665,918	555,571	555,571	3,167,171	-	(943,176)	(943,176)	(943,176)
Reading Recovery	1,654	5,600	5,600	-	-	3,946	3,946	3,946
Total business-type activities	4,667,572	561,171	561,171	3,167,171	-	(939,230)	(939,230)	(939,230)
Total	\$ 156,150,174	11,580,661	11,580,661	22,686,836	-	(120,943,447)	(939,230)	(121,882,677)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						94,001,269	-	94,001,269
Taxes levied for debt service						11,366,374	-	11,366,374
Federal and State aid not restricted						20,746,019	-	20,746,019
Federal and State aid restricted						1,030,178	-	1,030,178
Miscellaneous Income						1,248,910	-	1,248,910
Cancel prior year payables						1,279,355	1,325	1,280,680
Gain on the Sale of Bonds						468,000	-	468,000
Permanent Fund interest						593	-	593
Transfers						(400,000)	400,000	-
Total general revenues, special items, extraordinary items and transfers						129,740,698	401,325	130,142,023
Change in Net Assets						8,797,251	(537,905)	8,259,346
Net Assets—beginning						39,092,250	264,394	39,356,644
Net Assets—ending						\$ 47,889,501	(273,511)	47,615,990

FUND FINANCIAL STATEMENTS

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City of Atlantic City School District
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 21,865,990	1,536,474	204,292	13,200	9,946	23,629,902
Investments	5,426,583					5,426,583
Due from other funds	660,273					660,273
Receivables from other governments	355,220	232,587				587,807
Other - [tuition]	1,052,870					1,052,870
Total assets	<u>29,360,936</u>	<u>1,769,061</u>	<u>204,292</u>	<u>13,200</u>	<u>9,946</u>	<u>31,357,435</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	4,754,059	694,139	32,829			5,481,027
Interfund payable		648,953	11,320			660,273
Deferred revenue	648,953	1,016,386				1,665,339
Worker's Compensation Claims Payable	1,687,768					1,687,768
Total liabilities	<u>7,090,780</u>	<u>2,359,478</u>	<u>44,149</u>	<u>-</u>	<u>-</u>	<u>9,494,407</u>
Fund Balances:						
Reserved for:						
Encumbrances	3,114,261					3,114,261
Legally restricted -- unexpended additional spending proposal	58,301					58,301
Legally restricted -- designated for subsequent year's expenditures	671,679					671,679
Capital Reserve	1,375,000					1,375,000
Excess surplus	6,458,240					6,458,240
Excess surplus -- designated for Subsequent year's expenditures	8,037,749					8,037,749
Unreserved, reported in:						
General fund	2,249,926	(590,417)				1,659,509
Reserved for future expenditures	305,000					305,000
Debt service fund				13,200		13,200
Capital projects fund			160,143			160,143
Permanent fund					9,946	9,946
Total Fund balances	<u>22,270,156</u>	<u>(590,417)</u>	<u>160,143</u>	<u>13,200</u>	<u>9,946</u>	<u>21,863,028</u>
Total liabilities and fund balances	<u>\$ 29,360,936</u>	<u>1,769,061</u>	<u>204,292</u>	<u>13,200</u>	<u>9,946</u>	<u>31,357,435</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 106,774,921

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (80,748,448)

Net assets of governmental activities 47,889,501

City of Atlantic City School District
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
REVENUES						
Local tax levy	\$ 94,001,269			11,366,374		105,367,643
Tuition charges	11,019,490					11,019,490
Miscellaneous	1,248,562			348	593	1,249,503
Increase in Capital Reserve	1,950,000					1,950,000
Interest Deposit to Capital Reserve	50,000					50,000
State sources	20,678,216	11,756,455		1,030,178		33,464,849
Federal sources	67,803	7,763,210				7,831,013
Total revenues	<u>129,015,340</u>	<u>19,519,665</u>	-	<u>12,396,900</u>	<u>593</u>	<u>160,932,498</u>
EXPENDITURES						
Current:						
Regular instruction	29,160,203	12,136,442				41,296,645
Special education instruction	6,688,697					6,688,697
Other special instruction	5,159,270					5,159,270
Other instruction	2,137,256					2,137,256
Adult/continuing education programs	423,187					423,187
Support services and undistributed costs:						
Tuition	11,911,953	1,635,336				13,547,289
Student & instruction related services	9,298,522	5,864,050				15,162,572
School administrative services	4,306,583					4,306,583
Central Services	1,051,685					1,051,685
Administrative Information Technology	1,503,787					1,503,787
Other administrative services	2,476,851					2,476,851
Plant operations and maintenance	14,585,914					14,585,914
Pupil transportation	4,280,565					4,280,565
Unallocated Benefits	29,219,487					29,219,487
Special schools	1,860,580					1,860,580
Debt service:						
Principal				7,985,000		7,985,000
Interest and other charges				4,413,377		4,413,377
Capital outlay	2,448,195	-	486,345			2,934,540
Total expenditures	<u>126,512,735</u>	<u>19,635,828</u>	<u>486,345</u>	<u>12,398,377</u>	<u>-</u>	<u>159,033,285</u>
Excess (Deficiency) of revenues over expenditures	<u>2,502,605</u>	<u>(116,163)</u>	<u>(486,345)</u>	<u>(1,477)</u>	<u>593</u>	<u>1,899,213</u>
OTHER FINANCING SOURCES (USES)						
Prior year payables cancelled	1,279,355					1,279,355
Refunding Bonds Issued	11,240,000					11,240,000
Net premiums and discounts on refunding bonds	468,000					468,000
Payment to refunding bond escrow agent	(11,708,000)					(11,708,000)
Transfer from Capital Reserve	(625,000)					(625,000)
Decrease in Capital Reserve	625,000					625,000
Increase in Capital Reserve	(1,950,000)					(1,950,000)
Increase in Capital Reserve Interest	(50,000)					(50,000)
Transfers in			-	-		-
Transfers out	(400,000)					(400,000)
Total other financing sources and uses	<u>(1,120,645)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,120,645)</u>
Net change in fund balances	1,381,960	(116,163)	(486,345)	(1,477)	593	778,568
Fund balance—July 1	20,888,196	(474,254)	646,488	14,677	9,353	21,084,460
Fund balance—June 30	<u>\$ 22,270,156</u>	<u>(590,417)</u>	<u>160,143</u>	<u>13,200</u>	<u>9,946</u>	<u>21,863,028</u>

**City of Atlantic City School District
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2008**

Total net change in fund balances - governmental funds (from B-2) \$ 778,568

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

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

	Depreciation expense	(3,884,350)	
	Capital outlays	<u>2,545,061</u>	(1,339,289)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 7,985,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+) 127,524

Adjustment of the capital assets (161,353)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 856,921

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). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 549,880

Change in net assets of governmental activities \$ 8,797,251

City of Atlantic City School District
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities - Enterprise Funds		
	Food Service	Reading Recovery Program (Non-major)	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 908,051	47,345	955,396
Intergovernmental receivable - federal	198,818	-	198,818
Intergovernmental receivable - state	10,957	-	10,957
Other receivables	8,650	3,450	12,100
Inventories	57,506		57,506
Total current assets	<u>1,183,982</u>	<u>50,795</u>	<u>1,234,777</u>
Noncurrent assets:			
Furniture, machinery & equipment	876,668		876,668
Less accumulated depreciation	<u>(777,428)</u>		<u>(777,428)</u>
Total noncurrent assets	<u>99,240</u>	<u>-</u>	<u>99,240</u>
Total assets	<u><u>1,283,222</u></u>	<u><u>50,795</u></u>	<u><u>1,334,017</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,607,528		1,607,528
Total current liabilities	<u>1,607,528</u>	<u>-</u>	<u>1,607,528</u>
Total liabilities	<u>1,607,528</u>	<u>-</u>	<u>1,607,528</u>
NET ASSETS			
Invested in capital assets net of related debt	99,240	-	99,240
Unrestricted	<u>(423,546)</u>	<u>50,795</u>	<u>(372,751)</u>
Total net assets	<u><u>\$ (324,306)</u></u>	<u><u>50,795</u></u>	<u><u>(273,511)</u></u>

City of Atlantic City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

**Business-type Activities -
Enterprise Fund**

	Food Service	Reading Recovery Program (Non-major)	Total Enterprise
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 234,326		234,326
Daily sales - non-reimbursable programs	109,022		109,022
Special functions	190,754		190,754
Miscellaneous	-	5,600	5,600
Vending sales	21,469		21,469
Total operating revenues	<u>555,571</u>	<u>5,600</u>	<u>561,171</u>
Operating expenses:			
Cost of sales	2,096,440		2,096,440
Salaries	1,887,760		1,887,760
Direct costs	398,618		398,618
Other food and vending cost	16,715		16,715
Food management fees	75,911		75,911
Administrative costs	143,446	1,160	144,606
Travel	-	494	494
General supplies	-	-	-
Depreciation	47,028		47,028
Total Operating Expenses	<u>4,665,918</u>	<u>1,654</u>	<u>4,667,572</u>
Operating income (loss)	<u>(4,110,347)</u>	<u>3,946</u>	<u>(4,106,401)</u>
Nonoperating revenues (expenses):			
Cancellation of Prior Year Payables	1,325		1,325
State sources:			
State school lunch program	75,532	-	75,532
State school breakfast program	71,704	-	71,704
Federal sources:			
School breakfast program	970,514	-	970,514
National school lunch program	1,727,136	-	1,727,136
School snack program	81,651	-	81,651
Food distribution program	240,634	-	240,634
Total nonoperating revenues (expenses)	<u>3,168,496</u>	<u>-</u>	<u>3,168,496</u>
Income (loss) before contributions & transfers	<u>(941,851)</u>	<u>3,946</u>	<u>(937,905)</u>
Capital contributions			
Transfers in (out)	400,000	-	400,000
Change in net assets	<u>(541,851)</u>	<u>3,946</u>	<u>(537,905)</u>
Total net assets—beginning	217,545	46,849	264,394
Total net assets—ending	<u>\$ (324,306)</u>	<u>50,795</u>	<u>(273,511)</u>

The accompanying notes to financial statements are an integral part of this statement

City of Atlantic City School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

Business-type Activities -
Enterprise Funds

	Food Service	Reading Recovery Program (Non-major)	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 546,921	4,200	551,121
Payments for salaries	(1,887,760)		(1,887,760)
Payments for costs of sales	(1,221,279)		(1,221,279)
Other costs		(1,654)	(1,654)
Net cash provided by/(used for) operating activities	<u>(2,562,118)</u>	<u>2,546</u>	<u>(2,559,572)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	148,191	-	148,191
Federal Sources	2,803,303	-	2,803,303
Operating subsidies and transfers (to)from other funds	400,000	-	400,000
Net cash provided by non-capital financing activities	<u>3,351,494</u>	<u>-</u>	<u>3,351,494</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(12,162)	-	(12,162)
Net cash (used for) capital and related financing activities	<u>(12,162)</u>	<u>-</u>	<u>(12,162)</u>
Net increase/(decrease) in cash and cash equivalents	777,214	2,546	779,760
Balances—beginning of year	130,837	44,799	175,636
Balances—end of year	<u>908,051</u>	<u>47,345</u>	<u>955,396</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating (loss)	(4,110,347)	3,946	(4,106,401)
Adjustments to reconcile operating (loss) to net cash provided by (used for) operating activities			
Depreciation and net amortization	47,028		47,028
Federal commodities	240,634		240,634
(Increase) in accounts receivable, net	(8,650)	(1,400)	(10,050)
(Increase) in inventories	(22,637)		(22,637)
(Decrease) in accounts payable	1,291,854		1,291,854
Total adjustments	<u>1,548,229</u>	<u>(1,400)</u>	<u>1,546,829</u>
Net cash (used for) operating activities	<u>\$ (2,562,118)</u>	<u>2,546</u>	<u>(2,559,572)</u>

The accompanying notes to financial statements are an integral part of this statement

**City of Atlantic City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Expendable Trust	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 486,584	800,507
Total assets	486,584	800,507
LIABILITIES		
Payable to student groups		196,572
Payable to State of New Jersey	6,711	
Payroll deductions and withholdings		603,935
Total liabilities	6,711	800,507
NET ASSETS		
Held in trust for unemployment claims and other purposes	\$ 479,873	

The accompanying notes to financial statements are an integral part of this statement

**City of Atlantic City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008**

	Expendable Trusts
ADDITIONS	
Contributions:	
Plan member	\$ 142,504
Donations	5,000
Other	48,550
Total Contributions	196,054
Interest	12,569
Net investment earnings	12,569
Total additions	208,623
DEDUCTIONS	
Quarterly contribution reports	40,748
Unemployment claims	84,749
Scholarship Payments	12,000
Miscellaneous	25
Total deductions	137,522
Change in net assets	71,101
Net assets—beginning of the year	408,772
Net assets—end of the year	\$ 479,873

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Atlantic City School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The financial statements of the Board of Education (Board) of the City of Atlantic City School District (District) have been prepared in conformity with generally accepted accounting principles (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. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (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. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- The financial statements include:
 - ❖ A Management Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations.
 - ❖ Financial statements prepared using full accrual accounting for all of the District’s activities, including infrastructure (parking lots, etc.)
- A change in the fund financial statements to focus on the major funds.

A. Reporting Entity:

The Atlantic City School District is a Type II district located in the County of Atlantic, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms and three sending district members appointed annually. The purpose of the district is to educate students in grades K-12. The Atlantic City School District had an approximate enrollment at June 30, 2008 of 7,060 students.

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

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

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

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

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general and special revenue activities are classified as governmental activities. The District's food service and reading recovery programs are classified as business-type activities.

In the governmental-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (food service and reading recovery). The functions are also supported by general government revenues (property taxes, tuition, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student & instruction related services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, tuition, interest income, etc.).

The District does allocate indirect costs such as depreciation expense, compensated absences, On-behalf TPAF Pension Contributions, and Reimbursed TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities. The government-wide statements do not include fiduciary activity.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District.

- a. **General fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue** funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.
- c. **Capital projects** funds are used to account for all financial resources to be used for the acquisition or construction of major capital facilities. The financial resources are derived from temporary notes or serial bonds.
- d. **Debt service** funds are used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. The fund is also used to accumulate resources and pay principal and interest on bonds issued to fund the District's Early Retirement Incentive Program (ERIP). The ERIP bonds are taxable issues.
- e. **Permanent** funds are used to accumulate resources to pay scholarships to District students. The fund can expend earnings on the invested funds.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designated to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments), private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (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 proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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

For the purposes of determining cash equivalents the District considers all investments with an original maturity of three months or less as cash equivalents.

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.

NJSA 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.

2. Investments:

Investments, including deferred compensation and pension funds, are stated at fair value, (quoted market price or the best available estimate). Interest earned on investments in the Capital Projects Fund is recognized in the District's General Fund.

3. Inventories:

Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories in the enterprise fund are valued at cost, which approximates market, using the first-in, first-out method. As of June 30, 2008, the District did not have inventory in the general fund and had the following inventory in the enterprise fund:

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

Food	\$ 51,350
Supplies	6,156
	\$ 57,506

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

4. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years

GASBS No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District has included all infrastructure assets in the current fiscal year

5. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes 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. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met are reported as advances by the provider and deferred revenue by the recipient.

6. Expenditures:

Expenses are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

7. Compensated absences:

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

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the District-wide Financial Statements as a Governmental Activity.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

8. Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

9. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and are approved by the board of school estimates. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23-2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

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

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

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.

10. Encumbrances:

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

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

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

11. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

12. Tuition Payable

Tuition charges for the fiscal years 2007/08 and 2006/07 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those results.

14. Allocation of Costs

In the government-wide statement of activities, the District has allocated unallocated benefits to various programs based on the original budgetary expenditures by program.

F. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2004, the Governmental Accounting Standards Board (GASB) adopted statement number 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions." This statement will become effective for entities on a phased in basis beginning with fiscal years beginning after December 15, 2006. The effective date for this entity is the fiscal year beginning July 1, 2008. This statement will require governmental entities to report the future cost of other post employment benefits (OPEB) on a present value basis instead of the present "pay as you go" method. The impact on the financial position or results of operations can not be readily determined at this time.

NOTE 2. INVESTMENTS

As of June 30, 2008, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Money Management	Daily	\$ 223,908
Total		<u>\$ 223,908</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investment to 397 days.

Credit Risk. New Jersey Statutes 18A:20-37 limits district investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the district or the local units in which the district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The district places no limit on the amount the district may invest in any one issuer.

NOTE 3. CASH

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2008, \$0 of the government's bank balance of \$30,542,667 was exposed to custodial credit risk.

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

NOTE 4. FIXED ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance June 30, 2008</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 17,817,780	486,345		18,304,125
Construction in Progress	2,047,694		(2,047,694)	-
Total capital assets not being depreciated	<u>19,865,474</u>	<u>486,345</u>	<u>(2,047,694)</u>	<u>18,304,125</u>
Infrastructure assets	4,677,424			4,677,424
Bldg and bldg improve	111,523,537	3,536,302		115,059,839
Machinery & equipment	12,383,969	570,108	(161,353)	12,792,724
Total at historical cost	<u>128,584,930</u>	<u>4,106,410</u>	<u>(161,353)</u>	<u>132,529,987</u>
Less accum depr for:				
Infrastructure assets	(3,172,957)	(188,460)		(3,361,417)
Bldg and improve	(29,026,985)	(2,566,473)		(31,593,458)
Equipment	(7,974,899)	(1,129,417)		(9,104,316)
Total accum deprec	<u>(40,174,841)</u>	<u>(3,884,350)</u>	<u>-</u>	<u>(44,059,191)</u>
Total capital assets being depr, net of accum depr	<u>88,410,089</u>	<u>222,060</u>	<u>(161,353)</u>	<u>88,470,796</u>
Governmental activities capital assets, net	<u>\$ 108,275,563</u>	<u>708,405</u>	<u>(2,209,047)</u>	<u>106,774,921</u>
Business-type activities:				
Equipment	864,505	12,163		876,668
Less accum depr for:				
Equipment	(730,399)	(47,029)		(777,428)
Business-type activities capital assets, net	<u>\$ 134,106</u>	<u>(34,866)</u>	<u>-</u>	<u>99,240</u>

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

Depreciation expense as charged to governmental functions as follows:

Regular instruction	\$ 1,692,230
Special education	274,086
Other special instruction	211,414
Other instruction	87,579
Adult education	17,341
Student & instruction related services	621,323
School administrative expenses	176,473
Central Services	43,095
Administrative Information Technology	61,621
General and business administration	101,495
Plant operations and maintenance	597,693
	\$ 3,884,350

NOTE 5. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2008, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance June 30, 2007	Issued	Retired	Balance June 30, 2008	Amounts Due Within One Year
	\$				
Bonds Payable	\$ 79,843,000	11,240,000	18,843,000	72,240,000	7,575,000
Obligations under Capital Leases	388,921		388,921	-	
Certificates of Participation	6,890,000		850,000	6,040,000	890,000
Compensated Absences Payable	2,002,370	290,605	840,485	1,452,490	303,309
	\$ 89,124,291	11,530,605	20,922,406	79,732,490	8,768,309

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

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

Bonds payable as of June 30, 2008 consisted of the following:

\$54,350,000 Refunding Bond dated October 15, 1997 payable in annual installments beginning December 1, 2004 and continuing through December 1, 2015. Interest is payable semiannually at rates varying from 5.1% to 6.1%. The remaining balance as of June 30, 2008 was \$35,950,000.

\$8,070,000 bond dated September 1, 2000 payable in annual installments through July 15, 2015. Interest is payable semiannually at rates varying from 4.75% to 5.00%. The remaining balance as of June 30, 2008 is \$1,130,000.

\$16,663,000 Series A and \$15,785,000 Series B bonds dated May 15, 2000 payable in annual installments through July 15, 2016. Interest is payable semiannually at rates varying from 4.375% to 4.75%. The remaining balance as of June 30, 2008 is \$8,300,000 and \$8,485,000.

The \$8,070,000, \$16,663,000 and the \$15,785,000 bond issues are the result of a resolution adopted by the Board of Education on October 19, 1999 and approved by the voters on December 14, 1999 in the amount of \$46,000,000. The total debt issued of \$40,518,000 was supplemented with a State of New Jersey Grant in the amount of \$5,482,000.

\$12,665,000 Certificates of Participations dated August 1, 1999 payable in annual installments through August 1, 2014. Interest is payable semiannually at variable rates from 4.0% to 5.1%. The Certificates of Participation were issued for the purpose of certain capital improvements. The remaining balance as of June 30, 2008 was \$6,040,000.

\$9,255,000 taxable bonds issued to refund the present value of the Early Retirement Incentive Programs of the Board of Education dated October 15, 2002 payable in annual installments beginning July 15, 2004 and continuing through July 15, 2020. Interest is payable semiannually at rates varying from 2.47 to 5.8%. The remaining balance as of June 30, 2008 was \$7,135,000.

The District issued \$11,240,000 School Refunding Bonds dated 1/15/08 payable in annual installments through 1/15/16. The purpose was to redeem \$3,165,000 of the 9/1/00 bonds, \$5,063,000 of the Series A of 5/15/01 bonds and \$3,480,000 of the Series B of 5/15/01 bonds. The funds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$11,708,000 general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statements of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$468,000. This advance refunding was undertaken to reduce total debt service payment over the next 10 years by \$560,605 and resulted in an economic gain of \$453,256. Interest is paid semiannually at varying rates ranging from 3.50% to 5.00%. The balance as of June 30, 2008 was \$11,240,000.

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	7,575,000	4,214,246	11,789,246
2010	8,460,000	3,834,308	12,294,308
2011	8,465,000	3,394,250	11,859,250
2012	8,805,000	2,919,039	11,724,039
2013	8,800,000	2,426,595	11,226,595
2014-2018	27,980,000	4,428,177	32,408,177
2019-2021	2,155,000	192,415	2,347,415
	<u>\$ 72,240,000</u>	<u>21,409,030</u>	<u>93,649,030</u>

A. Bonds Authorized But Not Issued -- As of June 30, 2008 the District had no authorized but not issued bonds.

B. Capital Leases -- The District has entered into three capital leases to acquire computer equipment, software, and software licenses. The first lease is for \$1,280,258 with Apple Computer at 5.15%, the balance at June 30 2008 is \$0. The second lease is for \$138,063 with Dell / Eplus at 5.78% with the balance at June 30, 2008 is \$0. And the third lease is for \$76,431 with Dell / Eplus at 5.78.0% with the balance at June 30, 2008 is \$0. The following is the principal and interest due on the lease purchases as of June 30, 2008:

The equipment acquired with the above capital leases were below the District's capitalization threshold and therefore were not capitalized.

NOTE 6. OPERATING LEASES

The District had commitments to lease automobiles and office space under noncancelable operating leases. Total costs for such leases during the year ended June 30, 2008 were \$514,968. The future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2009	544,702
2010	137,130
Total	<u>\$ 681,832</u>

NOTE 7. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teacher's Pension and Annuity Fund cost-sharing multiple-employer defined benefit pension plans which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

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

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State 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.

Funding Policy - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 5.5% and the PERS rate is 5.5% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2008, 2007 and 2006 were \$6,876,688, \$6,726,159 and \$3,462,840 respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year. The School District's contributions to PERS for the years ending June 30, 2008, 2007 and 2006 were \$609,694, \$313,132 and \$172,215 respectively, equal to the required contributions for each year.

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

During the fiscal years ended June 30, 2008, 2007 and 2006, the State of New Jersey contributed \$6,876,688, \$6,726,159, and \$3,462,840 respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$4,033,724, \$3,691,269 and \$3,563,743, during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 c. 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 which will increase the medical reserve by one half of 1% of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2007.

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 \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members in Fiscal Year 2007.

NOTE 9. COMPENSATED ABSENCES

District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Upon retirement and who have not less than twenty (20) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the Districts' agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

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

NOTE 10. DEFERRED COMPENSATION

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

Valic	Equitable
Prudential Insurance Co.	Lincoln Investment Planning, Inc.
Vanguard	Commerce Bank
Sun National Bank	Retirement Annuity Consultants

NOTE 11. 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 for which the District carries commercial insurance, with the exception of workers compensation.

Liabilities for workers compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs, and other economic and social factors. The estimate of the claims liabilities also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past year are as follows:

Unpaid claims, beginning of year	\$ -
Incurred claims (including IBNRs)	1,820,819
Claim payments	<u>(133,051)</u>
Unpaid claims, end of fiscal year	<u><u>\$ 1,687,768</u></u>

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability and surety bonds. The District is also a member of a Joint Insurance Fund. There has been no significant decrease in insurance coverage and there have been no claims in excess of coverage.

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

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior year:

<u>Fiscal Year</u>		<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2007-2008	\$	60,701	142,504	125,522	473,219
2006-2007		117,257	125,413	128,549	395,536
2005-2006		121,177	120,534	83,877	281,415

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2008:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 660,273	
Special Revenue Fund		648,953
Capital Projects Fund		11,320
Total	<u>\$ 660,273</u>	<u>660,273</u>

Interfunds were created throughout the year due to short term borrowings to cover cash flow needs in the various funds as well as transfer the unexpended balance of DEPA and ECPA funds from the Special Revenue Fund to the General Fund. The fund financial interfunds were eliminated in the governmental-wide statements. In addition, the general fund made a permanent interfund transfer to the enterprise fund to cover accumulated deficits in the District food service program in the amount of \$400,000.

NOTE 13. INVENTORY

Inventory in the Food Service Fund at June 30, 2008 consisted of the following:

Food	\$ 51,350
Supplies	6,156
	<u>\$ 57,506</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 14. FUND BALANCE APPROPRIATED

General Fund - Of the \$22,270,156 General Fund fund balance at June 30, 2008, \$3,114,261 is reserved for encumbrances; \$58,301 has been reserved as unexpended additional spending funds and included as anticipated revenue for the year ending June 30, 2009; \$14,495,989 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7; \$305,000 is unreserved but designated to pay future life insurance benefits and \$671,679 is legally restricted – designated for subsequent year expenditures; \$1,375,000 is reserved for future capital projects and will be included as anticipated revenue for the year ending June 30, 2009; and \$2,249,926 is unreserved and undesignated.

Debt Service Fund - Of the \$13,200 Debt Service Fund fund balance at June 30, 2008, \$12,852 has been appropriated and included as anticipated revenue for the year ending June 30, 2009 leaving a fund balance of \$348.

NOTE 15. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c73 (S1701), the designation for Reserved Fund Balance -- Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2008 is \$14,495,989.

NOTE 16. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$590,417 in the Special Revenue Fund as of June 30, 2008 as reported in the fund statements (modified accrual basis). P.L. 2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district can not recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties. Except for the withheld state aid payment, the Special Revenue Fund would have a zero fund balance.

NOTE 17. LITIGATION

Currently there are several legal matters that could affect the financial position of the District. In addition, the district is also the plaintiff in several matters that could have an impact on the financial position.

Additionally, the District is a defendant in several other legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Board, from such litigation is either

City of Atlantic City Board of Education
Notes to Financial Statements
June 30, 2008

unknown or potential losses, if any, would be covered by insurance or not be material to the financial statements.

NOTE 18. WHOLE LIFE INSURANCE POLICIES

To help offset the cost of the Early Retirement Programs, the Board had purchased whole life insurance policies on certain retired employees of the Board. These policies were not renewed beyond December 31, 2000. It is estimated that approximately \$305,000 will be paid to beneficiaries over future years. This amount has been reserved in the general fund balance.

NOTE 19. ECONOMIC DEPENDENCY

The District is heavily reliant on local property taxation to fund the District operations and debt service. Property taxes funded 72% of the Districts 2007-2008 governmental operations. Properties in one industry, the gaming industry, are responsible for almost 81% of the tax revenue to the District.

NOTE 20. COMMITMENTS

The District has several open contracts related to ongoing building projects.

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Required Supplemental Information

PART II

**City of Atlantic City Board of Education
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 94,001,269		94,001,269	94,001,269	-
Tuition	10,900,922		10,900,922	11,019,490	118,568
Miscellaneous	450,000	17,998	467,998	1,248,562	780,564
Budgeted Fund Balance - Capital Reserve Increase	1,950,000		1,950,000	1,950,000	-
Interest Deposit to Capital Reserve	50,000		50,000	50,000	-
Total - Local Sources	107,352,191	17,998	107,370,189	108,269,321	899,132
State Sources:					
Transportation Aid	1,042,992		1,042,992	1,042,992	-
Special Education Aid	5,304,073		5,304,073	5,304,073	-
Bilingual Education Aid	910,558		910,558	910,558	-
Consolidated Aid	784,388	(34,678)	749,710	749,710	-
Aid for Adult and Post Graduate Programs	1,067,400	52,993	1,120,393	1,067,400	-
Additional Formula Aid	506,254		506,254	506,254	-
Higher Expectations for Learning Proficiency				4,321	4,321
Other State Aid				158,812	158,812
Extraordinary Aid				6,876,688	6,876,688
On-Behalf TPAF Pension Contributions (non-budgeted)				4,033,724	4,033,724
Reimbursed TPAF Social Security Contributions (non-budgeted)					
Total - State Sources	9,615,665	18,315	9,633,980	20,707,525	11,073,545
Federal Sources:					
Medical Assistance Program	40,000		40,000	35,313	(4,687)
Impact Aid	19,500	12,990	32,490	32,490	-
Total - Federal Sources	59,500	12,990	72,490	67,803	(4,687)
Total Revenues	117,027,356	49,303	117,076,659	129,044,649	11,967,990

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Grades 1-5	11,379,506	(951,293)	10,428,213	10,288,478	139,735
Grades 6-8	4,669,411	(790,522)	3,878,889	3,851,107	27,782
Grades 9-12	9,437,884	134,853	9,572,737	9,572,329	408
Regular Programs - Home Instruction:					
Salaries of Teachers	870,550	480,350	1,350,900	1,302,987	47,913
Other Salaries for Instruction	800,000	(41,168)	758,832	758,832	-
Other Purchased Services		100,000	100,000	72,580	27,420
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	124,288	26,171	150,459	139,790	10,669
Purchased Professional - Educational Services	35,525	2,852	38,377	29,473	8,904
Purchased Technical Services	41,280	(12,500)	28,780	26,043	2,737
Other Purchased Services	65,336	(20,700)	44,636	20,136	24,500
General Supplies	2,859,411	(187,276)	2,672,135	2,603,502	68,633
Textbooks	542,966	(30,832)	512,134	481,150	30,984
Other Objects	10,000	7,653	17,653	13,796	3,857
Total Regular Programs	30,836,157	(1,282,412)	29,553,745	29,160,203	393,542
Cognitive-Mild					
Salaries of Teachers	57,263	645	57,908	57,908	-
Other Salaries for Instruction	18,185	1,102	19,287	15,851	3,436
Other Purchased Services	1,000		1,000		1,000
General Supplies	3,000		3,000		3,000
Total Cognitive -Mild	79,448	1,747	81,195	73,759	7,436
Cognitive-Moderate					
Salaries of Teachers	257,849		257,849	255,318	2,531
Other Salaries for Instruction	56,840	12,000	68,840	40,350	28,490
General Supplies	1,000		1,000	989	11
Total Cognitive -Moderate	315,689	12,000	327,689	296,657	31,032

City of Atlantic City Board of Education
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Learning and/or Language Disabilities					
Salaries of Teachers	757,808	(110,976)	646,832	596,707	50,125
Other Salaries for Instruction	128,287	(12,500)	115,787	81,740	34,047
General Supplies	1,000		1,000		1,000
Total Learning and/or Language Disabilities	887,095	(123,476)	763,619	678,447	85,172
Auditory Impairments					
Salaries of Teachers	50,407		50,407	49,352	1,055
Other Salaries for Instruction	46,200	12,500	58,700	58,671	29
Purchased Professional-Educational Services		84,000	84,000	84,000	-
General Supplies	4,000		4,000		4,000
Other Purchased Services		365	365	62	303
Total Auditory Impairments	100,607	96,865	197,472	192,085	5,387
Behavioral Disabilities;					
Salaries of Teachers	130,771	13,211	143,982	143,982	-
Other Purchased Services	3,000	(3,000)	-		-
General Supplies	3,000	(3,000)	-		-
Total Behavioral Disabilities	136,771	7,211	143,982	143,982	-
Multiple Disabilities					
Salaries of Teachers	392,860	(56,175)	336,685	322,898	13,787
Other Salaries for Instruction	121,169		121,169	110,735	10,434
General Supplies	2,000	(2,000)	-		-
Total Multiple Disabilities	516,029	(58,175)	457,854	433,633	24,221
Resource Room/Resource Center:					
Salaries of Teachers	4,521,701	29,723	4,551,424	4,507,249	44,175
Other Salaries for Instruction	36,162	18,119	54,281	53,073	1,208
Purchased Technical Services		4,500	4,500		4,500
General Supplies	2,000	24,600	26,600	18,677	7,923
Total Resource Room/Resource Center	4,559,863	76,942	4,636,805	4,578,999	57,806

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Autism					
Salaries of Teachers	134,281	(3,292)	130,989	130,989	-
Other Salaries for Instruction	106,185	23,152	129,337	128,463	874
Purchased Professional-Educational Services		20,000	20,000	16,875	3,125
General Supplies	2,000		2,000		2,000
Total Autism	242,466	39,860	282,326	276,327	5,999
Preschool Disabilities - Part Time:					
General Supplies	5,000	10,000	15,000	14,808	192
Other Objects	2,000	(2,000)	-		-
Total Preschool Disabilities - Part Time	7,000	8,000	15,000	14,808	192
Total Special Education - Instruction	6,844,968	60,974	6,905,942	6,688,697	217,245
Basic Skills/Remedial- Instruction					
Salaries of Teachers	1,577,358	1,119,347	2,696,705	2,676,167	20,538
Total Basic Skills/Remedial - Instruction	1,577,358	1,119,347	2,696,705	2,676,167	20,538
Bilingual Education - Instruction:					
Salaries of Teachers	2,928,153	(107,599)	2,820,554	2,319,904	500,650
Other Salaries for Instruction		22,917	22,917	19,287	3,630
Purchased Professional-Educational Services	32,500	(30,100)	2,400	2,400	-
General Supplies	60,000	55,500	115,500	115,493	7
Textbooks	25,000	1,225	26,225	26,019	206
Total Bilingual Education - Instruction	3,045,653	(58,057)	2,987,596	2,483,103	504,493
School Sponsored Cocurricular Activities - Instruction:					
Salaries	343,354	48,841	392,195	391,917	278
Purchased Services	72,800	(6,787)	66,013	61,777	4,236
Purchased Professional and Technical Services	74,200	39,664	113,864	99,824	14,040
Other Objects		3,682	3,682	3,663	19
Total School Sponsored Cocurricular Activities - Instruction	490,354	85,400	575,754	557,181	18,573

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
School Sponsored Athletics - Instruction					
Salaries	300,768	40,682	341,450	341,450	-
Purchased Services	133,375	(501)	132,874	131,011	1,863
Supplies and Materials	129,940	19,701	149,641	149,624	17
Other Objects	27,200	(19,500)	7,700	5,200	2,500
Total School Sponsored Athletics - Instruction	591,283	40,382	631,665	627,285	4,380
Other Instructional Programs - Instruction					
Salaries	178,849		178,849	135,572	43,277
Total Other Instructional Programs - Instruction	178,849	-	178,849	135,572	43,277
Community Service Programs					
Salaries	310,000	44,341	354,341	354,325	16
Purchased Services	40,403	(4,000)	36,403	25,123	11,280
Supplies and Materials	39,882	4,000	43,882	43,739	143
Total Community Service Programs	390,285	44,341	434,626	423,187	11,439
Total Instruction	43,954,907	9,975	43,964,882	42,751,395	1,213,487
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs within the State - Regular	200,000	235,417	435,417	411,554	23,863
Tuition to Other LEAs within the State - Special		50,000	50,000	32,952	17,048
Tuition to County Voc School Dist - Regular	498,205	(361,917)	136,288	136,288	-
Tuition to CSSD & Regional Day Schools	2,435,380	257,000	2,692,380	2,687,261	5,119
Tuition to Private Schools for the Disabled- Within State	2,891,415	(570,500)	2,320,915	2,069,559	251,356
Tuition to Private Schools for the Disabled & Other LEAs - O/S	100,000	(93,500)	6,500	6,500	-
Tuition - State Facilities	1,980,352		1,980,352	1,980,352	-
Tuition - Other	100,000		100,000	86,067	13,933
Total Undistributed Expenditures - Instruction	8,205,352	(483,500)	7,721,852	7,410,533	311,319

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund

For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed Expenditures - Attendance and Social Work:					
Salaries	100,938	(1,181)	99,757	99,635	122
Purchased Professional and Technical Services	20,000	(900)	19,100	19,100	-
Other Purchased Services	2,000		2,000	1,717	283
Supplies and Materials	25,000	(2,500)	22,500	8,548	13,952
Other Objects	9,000	(4,100)	4,900	174	4,726
Total Undistributed Expenditures - Attendance and Social Work	156,938	(8,681)	148,257	129,174	19,083
Undistributed Expenditures - Health Services:					
Salaries	785,255	7,397	792,652	761,434	31,218
Purchased Professional and Technical Services	50,000	(14,600)	35,400	25,400	10,000
Other Purchased Services	2,000	(1,000)	1,000	30	970
Supplies and Materials	35,000	(3,500)	31,500	30,354	1,146
Other Objects	2,000		2,000		2,000
Total Undistributed Expenditures - Health Services	874,255	(11,703)	862,552	817,218	45,334
Undistributed Expenditures - Other Support Services - Students - Regular:					
Salaries of Other Professional Staff	1,897,531	(20,637)	1,876,894	1,875,383	1,511
Salaries of Secretarial and Clerical Assistants	167,227	3,300	170,527	170,527	-
Other Salaries	32,000	76,352	108,352	107,602	750
Purchased Professional Educational Services	32,000	16,919	48,919	48,919	-
Other Purchased Professional and Technical Services	136,000	(34,000)	102,000	51,145	50,855
Other Purchased Services	13,000	(7,910)	5,090	2,449	2,641
Supplies and Materials	217,870	(2,885)	214,985	175,860	39,125
Other Objects	8,000	(6,520)	1,480	1,423	57
Total Undistributed Expenditures - Other Support Services - Students - Regular	2,503,628	24,619	2,528,247	2,433,308	94,939

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed Expenditures - Other Support Services - Special					
Salaries of Other Professional Staff	1,975,827	(51,640)	1,924,187	1,895,224	28,963
Salaries of Secretarial and Clerical Assistants	361,223	(60,654)	300,569	300,569	-
Other Salaries	105,000		105,000	100,600	4,400
Purchased Professional Educational Services	375,000	76,000	451,000	417,346	33,654
Other Purchased Professional and Technical Services	20,000	(20,000)	-	-	-
Miscellaneous Purchased Services	46,700	7,135	53,835	46,173	7,662
Supplies and Materials	104,722	(20,000)	84,722	83,962	760
Total Undistributed Expenditures - Other Support Services - Special	2,988,472	(69,159)	2,919,313	2,843,874	75,439
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of Supervisors of Instruction	1,370,313	113,197	1,483,510	1,483,375	135
Salaries of Other Professional Staff	920,440	(152,195)	768,245	766,558	1,687
Purchased Professional Educational Services	463,000	(5,000)	458,000	387,559	70,441
Other Purchased Professional and Technical Services	70,000	(35,000)	35,000	23,423	11,577
Other Purchased Services	302,170	(67,800)	234,370	232,888	1,482
Supplies and Materials	264,977	(119,000)	145,977	112,785	33,192
Other Objects	39,500	2,990	42,490	28,684	13,806
Total Undistributed Expenditures - Improv. of Instr. Services	3,430,400	(262,808)	3,167,592	3,035,272	132,320
Undistributed Expenditures - Educational Media Services - School Library					
Salaries	666,953	2,042	668,995	667,995	1,000
Purchased Professional and Technical Services	34,680	(4,864)	29,816	25,613	4,203
Supplies and Materials	188,852	(8,741)	180,111	162,916	17,195
Other Objects	2,500		2,500	370	2,130
Total Undistributed Expenditures - Educational Media Services - School Library	892,985	(11,563)	881,422	856,894	24,528

**City of Atlantic City Board of Education
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed Expenditures - Support Services - Gen. Admin.:					
Salaries	718,158	(4,155)	714,003	709,697	4,306
Legal Services	425,000	608,996	1,033,996	745,483	288,513
Audit Fees	65,000	8,000	73,000	73,000	-
Other Purchased Professional Services	62,000	21,376	83,376	83,376	-
Purchased Technical Services	71,000	(64,410)	6,590	6,590	-
Communications/Telephone	532,200	(125,031)	407,169	407,169	-
BOE Other Purchased Services	53,500	(44,841)	8,659	8,659	-
Other Purchased Services	200,800	(20,724)	180,076	180,076	-
General Supplies	72,500	(19,766)	52,734	48,627	4,107
BOE In-House Training/Meeting Supplies	25,000	(2,604)	22,396	17,939	4,457
Judgements against the School District	784,040	(200,000)	584,040	16,230	567,810
Miscellaneous Expenditures	116,000	35,155	151,155	146,222	4,933
BOE Membership Dues and Fees	50,000	(15,000)	35,000	33,783	1,217
Total Undistributed Expenditures - Support Services - Gen. Admin.	3,175,198	176,996	3,352,194	2,476,851	875,343
Undistributed Expenditures - Support Serv. - School Admin.:					
Salaries of Principals/Assistant Principals	2,220,168	(24,812)	2,195,356	2,193,458	1,898
Salaries of Secretarial and Clerical Assistants	1,471,299	(60,361)	1,410,938	1,377,104	33,834
Purchased Professional and Technical Services	60,450	(45,368)	15,082	4,668	10,414
Other Purchased Services	370,399	5,175	375,574	346,394	29,180
Supplies and Materials	281,200	107,894	389,094	361,201	27,893
Other Objects	36,400	4,623	41,023	23,758	17,265
Total Undistributed Expenditures - Support Serv. - School Admin.	4,439,916	(12,849)	4,427,067	4,306,583	120,484
Undistributed Expenditures - Central Services					
Salaries	1,015,337	(72,400)	942,937	936,443	6,494
Purchased Professional Services	20,000	21,404	41,404	37,525	3,879
Miscellaneous Purchased Services	12,000	(4,000)	8,000	7,558	442
Supplies and Materials	40,000	7,000	47,000	45,964	1,036
Interest on Current Loans	27,500		27,500	20,217	7,283
Miscellaneous Expenditures	5,000		5,000	3,978	1,022
Total Undistributed Expenditures - Central Services	1,119,837	(47,996)	1,071,841	1,051,685	20,156

**City of Atlantic City Board of Education
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed Expenditures - Admin. Information Technology					
Salaries	321,507	31,000	352,507	349,762	2,745
Purchased Technical Services	1,058,922	(46,000)	1,012,922	994,892	18,030
Other Purchased Services	45,000		45,000	44,534	466
Supplies and Materials	124,248		124,248	110,948	13,300
Other Objects	5,000		5,000	3,651	1,349
Total Undistributed Expenditures - Admin Information Technology	1,554,677	(15,000)	1,539,677	1,503,787	35,890
Undistributed Expenditures - Required Maintenance for School Facilities					
Salaries	1,090,199	20,406	1,110,605	1,057,647	52,958
Cleaning, Repair and Maintenance Services	2,931,245	769,922	3,701,167	3,161,949	539,218
General Supplies	300,242	7,500	307,742	277,059	30,683
Total Undistributed Expenditures - Required Maintenance for School Facilities	4,321,686	797,828	5,119,514	4,496,655	622,859
Undistributed Expenditures - Operation and Maintenance of Plant Services:					
Salaries	5,050,523	20,000	5,070,523	4,886,144	184,379
Purchased Professional and Technical Services	95,396	(5,140)	90,256	85,694	4,562
Cleaning, Repair and Maintenance Services	475,000	(402,682)	72,318	37,706	34,612
Rental of Land & Buildings Other than Lease Purchase	575,000		575,000	542,875	32,125
Other Purchased Property Services	361,000	(12,200)	348,800	340,000	8,800
Insurance	862,000	30,600	892,600	729,016	163,584
Miscellaneous Purchased Services	7,414	900	8,314	8,229	85
General Supplies	260,000	(18,293)	241,707	228,189	13,518
Energy (Heat and Electricity)	3,226,000		3,226,000	3,219,310	6,690
Other Objects	5,000	7,096	12,096	12,096	-
Total Undistributed Expenditures - Operation and Maintenance of Plant Services	10,917,333	(379,719)	10,537,614	10,089,259	448,355

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School)-Reg	102,891		102,891	102,891	-
Other Purchsed Professional Technical Services	27,008		27,008	15,089	11,919
Contracted Services - (Between Home and School) - Vendors	1,760,000	250	1,760,250	1,757,997	2,253
Contracted Services - (Other than Between Home and School) - Vendors	535,000	(250)	534,750	511,769	22,981
Contracted Services - (Between Home and School) - Joint Agmnts	25,289		25,289	18,808	6,481
Contracted Services (Special Ed Students) - Vendors	2,201,525	(245,450)	1,956,075	1,854,698	101,377
Contracted Services - Aid in Lieu of Payments - NonPublic School	114,950		114,950	16,321	98,629
Contracted Services - Aid in Lieu of Payments - Charter School	50,000		50,000		50,000
Miscellaneous Purchased Services - Transportation	2,612		2,612		2,612
Supplies and Materials	9,326		9,326	2,992	6,334
Total Undistributed Expenditures - Student Transportation Serv.	4,828,601	(245,450)	4,583,151	4,280,565	302,586
Unallocated Benefits:					
Social Security Contributions	1,300,000	152,374	1,452,374	1,452,374	-
Other Retirement Contributions - Regular	532,000	77,694	609,694	609,694	-
Unemployment Compensation	50,000		50,000	50,000	-
Workmens' Compensation	1,630,000		1,630,000	1,630,000	-
Health Benefits	15,495,000	(340,068)	15,154,932	13,595,825	1,559,107
Tuition Reimbursements	650,000	50,000	700,000	590,445	109,555
Other Employee Benefits	453,000		453,000	380,737	72,263
Total Unallocated Benefits	20,110,000	(60,000)	20,050,000	18,309,075	1,740,925
On-behalf TPAF Pension Contributions (non-budgeted)				6,876,688	(6,876,688)
Reimbursed TPAF Social Security Contributions (non-budgeted)				4,033,724	(4,033,724)
Total On-behalf Contributions	-	-	-	10,910,412	(10,910,412)
Total Undistributed Expenditures	69,519,278	(608,985)	68,910,293	74,951,145	(6,040,852)
Total Current Expense	113,474,185	(599,010)	112,875,175	117,702,540	(4,827,365)

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Capital Outlay:					
Equipment:					
Grades 1-5	6,000	(6,000)	-	-	-
Grades 9-12	35,000	(28,719)	6,281	6,281	-
Special Education - Instruction:					
Resource Room/Resource Center	20,000	(20,000)	-	-	-
School Sponsored and Other Instructional Programs	42,010	13,935	55,945	55,567	378
Undistributed Expenditures:					
Support Services - Related & Extra	55,000	(22,500)	32,500	32,500	32,500
Support Services - Students & Special	15,000		15,000	13,076	1,924
General Administration	25,000	(12,435)	12,565	12,565	-
School Administration	182,109	(37,000)	145,109	145,048	61
Administrative Information Technology	258,525		258,525	185,559	72,966
Operation and Maintenance of Plant Services	189,918	88,195	278,113	152,570	125,543
Student Transportation - Non Instructional Equipment	57,475	(57,475)	-	-	-
Capital Lease Equipment					
Total Equipment	886,037	(81,999)	804,038	570,666	233,372
Facilities					
Construction Costs		625,000	625,000	600,000	25,000
Construction Services	722,305	1,824,168	2,546,473	888,608	1,657,865
Lease Purchase Agreements	394,000		394,000	388,921	5,079
Capital Outlay Transfer to Capital Projects	1,784,168	(1,784,168)	-	-	-
Total Capital Outlay	3,786,510	583,001	4,369,511	2,448,195	1,921,316

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Special Schools:					
Summer School - Instruction:					
Salaries of Teachers	360,000	152,000	512,000	511,836	164
Other Salaries for Instruction	33,008		33,008	15,971	17,037
Total Summer School - Instruction	393,008	152,000	545,008	527,807	17,201
Summer School - Support Services					
Salaries	58,128		58,128	57,075	1,053
Total Summer School - Support Services	58,128	-	58,128	57,075	1,053
Total Summer School	451,136	152,000	603,136	584,882	18,254
Other Special Schools - Instruction					
Salaries of Teachers	768,377		768,377	767,040	1,337
Purchased Professional and Technical Services	5,000		5,000	1,306	3,694
Other Purchased Services	20,000	(20,000)	-	-	-
General Supplies	31,000	24,000	55,000	52,104	2,896
Textbooks	22,000	(15,751)	6,249	3,165	3,084
Other Objects	7,000	(3,550)	3,450	2,353	1,097
Total Other Special Schools - Instruction	853,377	(15,301)	838,076	825,968	12,108
Other Special Schools - Support Services					
Salaries	166,037		166,037	147,214	18,823
Other Purchased Services	11,500		11,500	10,113	1,387
Supplies and Materials	10,499	(1,000)	9,499	7,939	1,560
Other Objects	2,000	11,298	13,298	37	13,261
Total Other Special Schools - Support Services	190,036	10,298	200,334	165,303	35,031
Accredited Evening/Adult High School - Instruction:					
Salaries of Teachers	226,000	8,000	234,000	163,632	70,368
Other Salaries for Instruction	9,500	8,000	17,500	14,496	3,004
Total Accredited Evening/Adult High School - Instruction	235,500	16,000	251,500	178,128	73,372

**City of Atlantic City Board of Education
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Accredited Evening/Adult High School - Support Services:					
Salaries	86,628		86,628	86,628	-
Supplies and Materials	10,000	2,115	12,115	10,491	1,624
Other Objects	9,000	200	9,200	9,180	20
Total Accredited Evening/Adult High School - Support Services	<u>105,628</u>	<u>2,315</u>	<u>107,943</u>	<u>106,299</u>	<u>1,644</u>
Total Special Schools	<u>1,835,677</u>	<u>165,312</u>	<u>2,000,989</u>	<u>1,860,580</u>	<u>140,409</u>
Transfer of Funds to Charter Schools	4,179,200	325,000	4,504,200	4,501,420	2,780
Total Expenditures	<u>123,275,572</u>	<u>474,303</u>	<u>123,749,875</u>	<u>126,512,735</u>	<u>(2,762,860)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,248,216)	(425,000)	(6,673,216)	2,531,914	9,205,130
Prior year payables cancelled				1,279,355	1,279,355
Other Financing Sources (Uses):					
Transfer to Food Service Fund - Board Contribution	(200,000)	(200,000)	(400,000)	(400,000)	-
Decrease in Capital Reserve			-	(625,000)	(625,000)
Increase in Capital Reserve	(1,950,000)		(1,950,000)	(1,950,000)	-
Interest Deposit to Capital Reserve	(50,000)		(50,000)	(50,000)	-
Transfer from Capital Reserve			-	625,000	625,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(8,448,216)</u>	<u>(625,000)</u>	<u>(9,073,216)</u>	<u>1,411,269</u>	<u>10,484,485</u>
Fund Balances, July 1	<u>21,092,140</u>	<u>-</u>	<u>21,092,140</u>	<u>21,092,140</u>	<u>-</u>
Fund Balances, June 30	<u>12,643,924</u>	<u>(625,000)</u>	<u>12,018,924</u>	<u>22,503,409</u>	<u>10,484,485</u>

City of Atlantic City Board of Education
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Recapitulation:					
Reserve for Encumbrances				3,114,261	
Capital Reserve				1,375,000	
Legal restricted - unexpended additional spending proposal				58,301	
Legal restricted - designated for subsequent year's expenditures				671,679	
Reserve for Excess Surplus				14,495,989	
Reserve for future expenditures				305,000	
Unreserved Fund Balance				2,483,179	
				<u>22,503,409</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid payment not recognized on GAAP basis				(233,253)	
Fund Balance per Governmental Funds (GAAP)				<u>22,270,156</u>	

**City of Atlantic City School District
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
REVENUES:					
Local Sources:					
Revenue from Local Sources	-	-	-	-	-
Total - Local Sources	-	-	-	-	-
State Sources:					
DEPA	3,339,218		3,339,218	3,307,673	(31,545)
ECPA	6,473,035		6,473,035	6,058,191	(414,844)
TARA		2,323,250	2,323,250	2,323,250	-
Evening School for the Foreign Born		3,000	3,000	3,000	-
Nonpublic aid	179,040	1,464	180,504	180,504	-
Total - State Sources	9,991,293	2,327,714	12,319,007	11,872,618	(446,389)
Federal Sources:					
Title I	2,670,000	748,671	3,418,671	3,171,136	(247,535)
Title I SIA	146,075	355,144	501,219	171,850	(329,369)
Title II	640,400	122,073	762,473	738,952	(23,521)
Title III	280,589	91,001	371,590	346,240	(25,350)
Title IV	52,585	17,625	70,210	70,210	-
Title V	20,660	(599)	20,061	20,061	-
Comprehensive School Reform		33,399	33,399	33,399	-
Reading First		1,221,566	1,221,566	1,221,566	-
Perkins Vocational Technology		125,592	125,592	125,592	-
Immigrant Student Newcomer		386,034	386,034	324,389	(61,645)
I.D.E.A., Part B	1,375,927	240,773	1,616,700	1,539,815	(76,885)
Total - Federal Sources	5,186,236	3,341,279	8,527,515	7,763,210	(764,305)
Total Revenues	15,177,529	5,668,993	20,846,522	19,635,828	(1,210,694)

City of Atlantic City School District
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Under/(Over) Final to Actual
EXPENDITURES:					
Instruction					
Salaries of Teachers	8,751,244	2,138,111	10,889,355	9,984,326	905,029
Other Salaries for Instruction	816,847	(17,017)	799,830	793,673	6,157
Purchased Professional and Technical Services		172,851	172,851	172,851	-
Transfer to Charter School	690,000		690,000	690,000	-
Tuition	1,640,189	(4,853)	1,635,336	1,635,336	-
General Supplies	152,601	326,546	479,147	457,561	21,586
Textbooks	12,856	5,308	18,164	18,164	-
Other Objects	13,500	7,129	20,629	19,867	762
Total instruction	12,077,237	2,628,075	14,705,312	13,771,778	933,534

EXPENDITURES (CONT'D):

Support Services	35,700		35,700	35,700	-
Salaries of Program Directors		94,421	94,421	94,421	-
Salaries of Supervisor of Instruction	193,666	196,379	390,045	371,283	18,762
Salaries of Other Professional Staff	202,773	88,106	290,879	254,761	36,118
Salaries of Secretarial and Clerical Assistant		181,652	181,652	132,381	49,271
Other Salaries		1,756,096	3,131,096	3,057,139	73,957
Personal Services - Employee Benefits	1,375,000		1,375,000		
Purchased Educational Services - Pre K	1,081,500		1,081,500	1,081,500	-
Purchased Professional - Educational Services	105,978	418,691	524,669	485,546	39,123
Other Purchased Professional Services	34,700		34,700	36,385	(1,685)
Contracted Services - Transportation	20,010		20,010	11,064	8,946
Rentals		10,200	10,200	10,200	-
Travel	4,290	154,153	158,443	154,182	4,261
Other purchased Services (400-500 series)	24,550	45,552	70,102	53,334	16,768
Supplies & Materials	21,625	16,292	37,917	32,778	5,139
Other Objects	500	79,376	79,876	53,376	26,500
Total support services	3,100,292	3,040,918	6,141,210	5,864,050	277,160

Facilities acquisition and construction services:

Buildings					
Instructional Equipment					
Total facilities acquisition and construction services					
Total expenditures	15,177,529	5,668,993	20,846,522	19,635,828	1,210,694
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	-	-	-	-

City of Atlantic City School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to Required Supplementary Information
 For the Fiscal Year Ended June 30, 2008

Note A - Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

		General Fund	Special Revenue
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	C-1; C-2	\$ 129,044,649	19,635,828
Difference - 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			
Current Year			
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		203,944	474,255
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		(233,253)	(590,418)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	B-2	129,015,340	19,519,665
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1; C-2	126,512,735	19,635,828
Differences - budget to GAAP			
Transfers to other funds	C-1		
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			
Prior Year			
Current Year			
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	B-2	126,512,735	19,635,828

APPENDIX C

Form of Approving Tax Exempt School Bond Legal Opinion

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McMANIMON & SCOTLAND, L.L.C.

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The Board of Education of the
City of Atlantic City in the
County of Atlantic, New Jersey

Dear Board Members:

We have examined a record of proceedings relating to the issuance of \$50,321,000 Build America School Bonds (Direct Pay) (the "Bonds") of the Board of Education of the City of Atlantic City in the County of Atlantic, a school district of the State of New Jersey (the "Board of Education"). The Bonds are dated July 30, 2009, mature in the principal amounts on August 15 in each of the years and bear interest payable semiannually on the fifteenth days of February and August in each year, commencing August 15, 2010 until maturity or earlier redemption at the rates per annum described on the following schedule:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
2011	\$1,120,000	2.50%	2016	\$1,455,000	4.90%
2012	1,185,000	3.25	2017	1,530,000	5.10
2013	1,250,000	3.50	2018	1,605,000	5.30
2014	1,320,000	4.00	2019	1,690,000	5.50
2015	1,385,000	4.25			

\$9,760,000- 6.60% Term Bond due August 15, 2024 at 6.40%
\$4,620,000- 6.70% Term Bond due August 15, 2026 at 6.56%
\$5,050,000- 6.80% Term Bond due August 15, 2028 at 6.60%
\$18,351,000- 7.25% Term Bond due August 15, 2034 at 7.13%

The Bonds are subject to redemption prior to their stated maturities as set forth therein.

The Bonds will be issued in the form of one certificate for each year of maturity registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository.

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 March 30, 2009 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on April 21, 2009 and (iii) a resolution duly adopted by the Board of Education on June 29, 2009. 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 relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligation of the Board of Education and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the school district without limitation as to rate or amount.

In our opinion, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. We express no opinion regarding other federal or state tax consequences about the Bonds.

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,